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Between mid-June and mid-July copies of the House of Commons *Hansard* were unavailable because of an industrial dispute. This has affected *Survey of Current Affairs* coverage, and alternative sources have been used for some of the articles in this issue.

Parliamentary and Ministerial Salaries

The basic salary of Members of Parliament is to be increased from £6,897 to £12,000 in three stages over the next two years with an immediate rise to £9,450. Increases in the salaries of ministers and certain other office holders, similarly to be paid in three stages, have also been agreed in the House of Commons. Peers' allowances are also being increased.

Increases in the salaries of MPs, ministers and certain other office holders were agreed in the House of Commons on 11 July. The increases are in accordance with the figures proposed by the Top Salaries Review Body under the chairmanship of Lord Boyle in June[1] but they will be paid in three stages over the next two years. The Review Body acknowledged that its recommendations involved substantial increases but pointed out that it was four years since parliamentary salaries were last subject to independent review and more than seven years since independent recommendations were implemented in full. Over the last four years average earnings had risen by some 60 per cent; by contrast an MP's salary had risen by an average 17 per cent and the salary of a Cabinet minister by 11 per cent.

The increases in peers' expenses allowances agreed in the House of Lords (*Hansard, HL*, 16.7.79, cols 1134-43) are also based on the recommendations of the Review Body.

Members of Parliament

The basic annual salary of MPs will increase from £6,897 to £12,000 by June 1981, half the increase being paid immediately so that the salary from June 1979 is £9,450. The second stage of the increase payable in June 1980 will be updated in accordance with further recommendations by the Review Body. The Government also intends to ask the Review Body to consider a link between MPs and 'one or more professional analogues' for salary increases from 1981 onwards.

The secretarial allowance payable to members is increased by £400 to £4,600 a year as an interim measure. This and other allowances for which MPs are eligible are to be the subject of a separate review.

[1]*Review Body on Top Salaries. Report No 12. Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part I.* Cmnd 7598. HMSO, £2·50. ISBN 0 10 175980 0.

Ministers and Other Office Holders

The new salaries of ministers and of certain other office holders are to be as follows. There will be an intermediate increase in 1980. The Prime Minister and the Lord Chancellor are not accepting pay increases until 1981 so that their salaries remain as they were before the new rates were agreed. The increases are payable from July 1979.

	1979 £	*1981* £
Prime Minister	22,000	33,000
Lord Chancellor	22,228	37,000
Cabinet Ministers The Speaker	19,650	25,000
Ministers in charge of a department but outside the Cabinet	15,225	20,000
Ministers of State	12,625-15,339	17,000
Parliamentary Secretaries and Under-Secretaries of State	9,525 or 9,811	13,000
Attorney General	21,255	26,500
Leader of the Opposition in the House of Commons	16,225	22,000
Leader of the Opposition in the House of Lords	8,701	13,000

Parliamentary Salary

In addition, those ministers and office holders who are members of the House of Commons, receive a parliamentary salary which is in recognition of their responsibilities for their constituents as distinct from their ministerial or other responsibilities. This is to be increased in three stages to £7,000 in 1981. The first stage will increase the present rates of £3,529, £4,299 or £4,642 to £5,265, £5,650 or £5,820.

Peers' Expenses

From July 1979 the following maximum daily rates may be claimed by peers for expenses incurred for the purpose of attending the House of Lords: up to £9 for each day of attendance to cover day subsistence and incidental travel; up to £18·50 for overnight subsistence for peers who have to use overnight accommodation away from their usual residence; and up to £8·50 a day for general office expenses or for secretarial or

research assistance. Members receiving a ministerial salary and the Chairman and Principal Deputy Chairman of Committees may claim these allowances up to an annual maximum of £700. In addition, peers receive reimbursement for travelling expenses.

Reform of House of Commons Select Committees

Proposals to replace the present system of House of Commons select committees based on specific subjects by a new system of 12 committees based on the subject areas of government departments, so as to provide more effective scrutiny of government administration, were approved by a large majority in the House on 26 June (the voting was 248 to 12, a majority in favour of 236).

Report of the Select Committee on Procedure

The reforms are based on recommendations contained in a report which the Parliamentary Select Committee on Procedure[1] made in August 1978 (see pp 339-40, 1978).

Announcing the proposals in the House of Commons, the Chancellor of the Duchy of Lancaster and Leader of the House, Mr Norman St John-Stevas, said that the changes proposed in the report of the Committee could constitute the most important parliamentary reforms of the century. The recommendations on select committees represented the first instalment in implementing the reforms. The remainder of the Committee's proposals would be implemented in due course.

The New Select Committees

Mr St John-Stevas said that the Government's proposals followed those of the Select Committee on Procedure in establishing a total of 12 departmentally related committees.[2] These would cover Agriculture; Defence; Education; Science and Arts; Employment; Energy; Environment; Foreign Affairs; Home Affairs; Industry and Trade; Social Services; Transport; and Treasury and the Civil Service. Each select committee would comprise between nine and 11 members, and the terms of reference would be a matter for the committees themselves as well as for the House of Commons to decide. On the question of the chairmanship of the committees, the Leader of the House said that, although it was accepted that the committees would contain a Government majority [reflecting the balance of parties in the House], it did not follow that the chairmen of all the committees would be members of the Government party.

The coverage of subjects departed from the Committee's proposals in only two respects. First, while the report had recommended the establishment of two separate committees for Industry and Employment and for Trade, the Government was proposing to set up a single committee to cover the Departments of Industry and Trade, and a separate committee to cover the Department of Employment, as this was considered a more logical association of departments. The second point of departure was the Government's exclusion of the Lord Chancellor's Department and the Law Officers' Department from the scope of the proposed Select Committee on Home Affairs. The reason for this was to avoid any threat to the independence of the judiciary or the judicial process. Mr St John-Stevas added that, despite the exclusion of these two departments from the scrutiny of the new select committees, the Law Officers would remain answerable to the House, both for themselves and on behalf of the Lord Chancellor.

Turning to the question of committees to deal with the various parts of the United Kingdom, Mr St John-Stevas said that, while the Government was in principle in favour of a select committee on Scottish affairs and would be ready to put forward detailed proposals for its establishment at an appropriate stage, it considered the arrangement for setting up such a committee should await the outcome of the forthcoming all-party talks on improving the government of Scotland (see p 181). As regards Wales, the establishment of a separate Welsh Committee depended on the outcome of the debate in the House (see p 181). On Northern Ireland, he said that the Government did not propose to set up a special select committee. It intended that many of the matters for which, at present, the Secretary of State for Northern Ireland was responsible to the House of Commons, should eventually be subject to scrutiny by elected representatives in Northern Ireland. Until then, the Government considered such matters should remain within the scope of the new select committees.

The Leader of the House acknowledged the need to carry forward the work done by committees which would be abolished under the new system. Much of the work could be taken over by the new committees directly, and Mr St John-Stevas suggested that the various committees concerned with nationalised industries might wish to follow up the proposal of the Select Committee on Procedure that they should appoint a joint sub-committee on matters common to nationalised industries previously considered by the Select Committee on Nationalised Industries.

The Select Committees on Foreign Affairs and on Home Affairs would become responsible for overseas development and for race relations and immigration respectively, subjects until now the province of separate select committees. The Government's proposals made provision for the Select Committees on Foreign Affairs, Home Affairs, and the Treasury and the Civil Service each to appoint a single sub-committee to deal with a particular

[1] *First Report from the Select Committee on Procedure, Session 1977-78.* HMSO, £3·25. ISBN 0 10 297878 6.

[2] A number of other select committees will remain. Examples include those on European Legislation, House of Commons Services, Privileges, Standing Orders, Selection, Statutory Instruments, Public Accounts, Members' Interests, and the Parliamentary Commissioner for Administration and Health Service Commissioner.

subject – for example, overseas development, race relations and immigration – or with the Civil Service Department.

While the new committees would have power to send for 'persons, papers and records', they would not have authority to compel ministers to attend. However, the Government would make available to select committees as much information as possible, including confidential information for which protection might have to be sought. On occasions when a minister did not feel able to give a select committee as much information as it would like on a specific issue, the minister would explain the reason for the information being withheld. Mr St John-Stevas said that, if the proposed powers of the new committees were inadequate to enforce their wishes, the Government would ask Parliament to strengthen those powers. He emphasised that it was the Government's intention during its period of office to co-operate with the new committees, and he believed that, if a practice of that kind were established, it would last beyond the limited life of a government.

On the subject of the nomination of select committees, the Government intends to adopt the proposals of the Select Committee on Procedure that the Committee of Selection should have the power to decide the memberships.

The Government also intends to provide greater opportunity for debating the reports of select committees in the House of Commons.

Objective of the Reformed Structure

The aim of this new committee structure, said Mr St John-Stevas, would be to strengthen the accountability of ministers to the House for the discharge of their responsibilities. Each committee would be able to examine the whole area for which its minister or ministers had direct responsibility. Moreover, the Government accepted the view of the Select Committee on Procedure that the select committees must be able to examine the activities of some of the autonomous public bodies over which ministers did not have the same direct authority as they had over their own departments, the test in each case being whether there existed a significant degree of ministerial responsibility for the body concerned.

Mr St John-Stevas said that he considered the House of Commons to be 'one of the great political inventions' of the country's history. It remained 'the means by which the mind of the nation [was] focused on the great issues of the day', and would remain 'the channel through which the expressive power of Parliament [was] exercised'. However, the scrutinising function of Parliament had now become too detailed to be discharged effectively by the House of Commons alone, and the Government believed that the new system of select committees would provide 'a necessary preliminary to the more effective scrutiny of government and the wider involvement that members on both sides of the House had sought for many years'. The new system would provide an opportunity for closer examination of departmental policy and of the way in which ministers were discharging their responsibilities. It would give a better understanding of the pressures and constraints under which ministers and their departments had to work, bringing about a closer relationship with ministers themselves. It would, he concluded, be an important contribution to greater openness in government, of a kind that was in accord with the country's parliamentary arrangements and constitutional tradition.

Northern Ireland

Orders to extend for a further year the direct rule of Northern Ireland by the United Kingdom Parliament and to renew the emergency powers in force in the Province for another six months have been debated and approved in the House of Commons. In the course of the debate the Secretary of State for Northern Ireland reviewed in particular the security situation and said that an Order had been made under the emergency legislation to proscribe the Irish National Liberation Army, the terrorist organisation which claimed responsibility for the death of Mr Airey Neave, MP (see p 87). The Government also announced in the debate its acceptance of almost all of the recommendations of the Bennett Committee to improve further the procedures for interrogating terrorist suspects (see p 85). The Secretary of State for Northern Ireland has had talks in Dublin with ministers of the Government of the Irish Republic.

SECRETARY OF STATE'S SPEECH

The Political Situation

Opening the debate on the draft Northern Ireland Act 1974 (Interim Period Extension) Order 1979 and the draft Northern Ireland (Emergency Provisions) Act 1978 (Continuance) Order 1979 in the House of Commons on 2 July, the Secretary of State for Northern Ireland, Mr Humphrey Atkins, said that the three strands of government policy in Northern Ireland – political, economic and security – were closely interwoven. Direct rule was designed as an interim arrangement which the Government did not want to continue any longer than was strictly necessary. He wished to see it replaced by a form of government which would 'give the people of Northern Ireland more control over their own affairs'. He had begun talks with local politicians: there were divergent views to be harmonised and disparate aims to be reconciled. Mr Atkins said that he would pursue the search for some new governmental arrangements with the political parties in Ulster. Ways had to be found which could be accepted as fair and just. He recognised that there were two political traditions, two cultures, two sets of aspirations in Northern Ireland and it was not his aim to ask either side to abandon its own traditions, cultures or aspirations. But the divide was real, and the Government had to look beyond the systems of the past for an acceptable governmental structure. Progress required a readiness of

each side in Northern Ireland to move to new positions. The Government would not seek to impose new arrangements which would clearly be unacceptable. Northern Ireland, for reasons which could not be undone, was not like any other part of the United Kingdom. New structures of government had to be based on recognition of this fact.

The Economy

Turning to the economy, Mr Atkins said that the longer-term viability of the Province depended upon the ability to produce and sell at competitive prices. It was the Government's view that it was necessary to restore incentives and to raise the rate of return on capital, particularly in manufacturing industry. This was precisely what the Budget set out to do (see p 191). Mr Atkins said he was particularly conscious of the important role which small businesses could play in the generation of new employment in Northern Ireland. The measures which had been introduced such as reducing income tax and raising the qualifying limits for the small companies rate of corporation tax would be particularly helpful to small businesses. The Northern Ireland share of the reductions announced in public spending would amount to £35 million; but every effort was being made to ensure that any adverse effect on employment was kept to a minimum. Mr Atkins referred to the termination of the Selective Employment Premium [a weekly wage subsidy] which he said was likely to have little effect on employment and would achieve a saving of £7·5 million in the current year. By contrast the decision to extend the Meat Industry Employment Scheme should be of great benefit to the agricultural industry in the Province. (Mr Atkins emphasised that expenditure on law and order in the Province was not affected by public expenditure reductions.) The task of attracting new investment and creating new employment opportunities was not easy but the Government would give it a great deal of attention and energy. The unemployment rate of 11 per cent – and well over double this figure in some black spots – was not only a social evil but had most serious implications for security policy.

Security

The security situation, continued Mr Atkins, was the facet of Northern Ireland affairs that gained most headlines in the press, but it was no bad thing to recall that peace and normality prevailed most of the time over much of the Province. Nevertheless the people of Northern Ireland were still confronted with serious terrorist threats. The Provisional IRA continued to attack and kill and to launch explosive attacks on police and army installations and civilian premises. Until the end of 1978 violence was diminishing from the high level of two years earlier. Substantial successes had been achieved by the security forces against the terrorists and their level of operations decreased. During that period, however, the Provisional IRA were regrouping, retraining and re-equipping themselves and rethinking their future tactics. The first six months of this year had shown a marked increase in the level of terrorism from an organisation based on a system of self-contained, close-knit cells which made it difficult to gather information. Their weapons were more powerful and their operations had a different emphasis. Civilians continued to be killed and injured and the number of attacks on the security forces had noticeably increased. So far this year 26 members of the security forces had been killed compared with 14 in the second half of last year. The number of explosive attacks had also gone up and not only had the size of devices increased but the attacks were more carefully planned. At the same time the Province was facing the same problems with other forms of criminal activity as the rest of the United Kingdom so that the forces of law and order had to deal with a double burden – terrorism and other crime.

It was the Government's firm policy that terrorism should be defeated and that the pattern of normal policing should be extended throughout the Province. The implementation of these policies rested with the Royal Ulster Constabulary (RUC) assisted by the Army. Continuing success against terrorists would in time relieve the police of the need to guard themselves against terrorist attack. This would make it possible for a greater proportion of their time to be spent on the prevention and investigation of ordinary crime. Until this was achieved the presence of the Army was essential to support the civil police in dealing with terrorism.

Proscription of the INLA

Mr Atkins went on to say that so far he had referred only to the terrorist activities of the Provisional IRA. The Irish National Liberation Army (INLA) was also involved in serious terrorist acts not only in Northern Ireland but also in London where they had acknowledged their guilt for the assassination of Mr Airey Neave, MP. Although this organisation was much smaller than the Provisional IRA and was of much less significance, it was involved in the commission of terrorist acts and should not be countenanced by the law: he had therefore made an Order under the emergency legislation to proscribe the Irish National Liberation Army and the Home Secretary was taking similar action under the appropriate legislation for Great Britain.

Anti-terrorist Policy

Mr Atkins said that he had been reviewing the Government's anti-terrorist policy in Northern Ireland and had concluded that fresh progress was needed on three important points. First, special attention should be given to the areas on both sides of the border with the Irish Republic. He had had talks in the previous week in the Irish Republic with the Ministers for Foreign Affairs and for Justice (see below) and they agreed that the Provisionals represented a common threat to both countries; that their defeat would depend on the combined efforts of the security forces of both countries; and that these combined efforts could and had to be improved. The Garda were in a position to deal with the activities of the Provisionals in the Irish Republic involving planning their operations and training their members. Improved co-ordination and co-operation between

the two forces was essential. The authorities of the Republic had recently deployed an anti-terrorist task force in the border areas and were now considering proposals by the Chief Constable for improved methods of operation.

Secondly, it was crucial that necessary resources continued to be made available for policing and for the fight against terrorism. The police had been exempted from this year's public expenditure savings and from the recruitment freeze. The Government was looking carefully at expenditure on law and order services in the Province in order to obtain the best value for money, promote efficiency and eliminate extravagance. However, sufficient financial resources would be found to fund the essential manning, equipment and accommodation of the Royal Ulster Constabulary to enable the police to carry out effectively their role of law enforcement. Similarly the needs of both the Ulster Defence Regiment and the regular Army would be kept under review: the fact that some 13,000 regular soldiers were deployed in Northern Ireland demonstrated the Government's determination to continue its efforts to overcome the terrorists.

Thirdly, Mr Atkins said, there was a need to intensify still further the present intelligence effort in Northern Ireland. Information so obtained was one of the keys to further progress in penetrating terrorist organisations and activity. He would sanction additional resources for this purpose if necessary.

Referring again to the importance of the police, Mr Atkins said that the strength of the RUC was now 6,387 with 1,245 full-time and 3,300 part-time Reservists. The full-time strength of the force was growing at the net rate of about 400 officers a year and the Government's aim was that the RUC should be able to undertake all policing duties, some of which were still borne by the Army. The RUC establishment was being examined to identify the areas where strengthening was needed.

The Bennett Report

Mr Atkins said that it was not enough to strengthen the RUC by physical resources; it also had to be strengthened in terms of resolve and acceptability. On both of these counts the Bennett Report, laid before Parliament in March (see p 85), which recommended changes in the administrative procedures for questioning suspects by the police and some modifications of the present machinery for investigating complaints, was of special importance. He was able to say that action was in hand to implement virtually all of the report's recommendations. The Government had already accepted recommendations relating to the installation of closed circuit television in interview rooms and to access to solicitors to persons in custody. A statement of the Secretary of State's detailed conclusions was being placed in the House of Commons Library and was being made available to the press [a summary is given below].

Mr Atkins reminded the House that one of the Bennett Committee's findings was that, on the basis of the medical evidence before them, there was a category of cases in which injuries were clearly not self-inflicted and were sustained in police custody. The evidence in these 15 cases was passed to the Director of Public Prosecutions (DPP) for Northern Ireland to consider whether charges should be preferred against any member of the RUC. In nine of these cases the DPP had directed 'no prosecution' since in his opinion there was not sufficient evidence to warrant prosecution. One case was still under consideration and the remaining five were awaiting the outcome of criminal proceedings. By implementing the Bennett Report, the Government was not accepting 'the sweeping allegations made in some quarters' about the RUC's interrogation methods. The Government was demonstrating that the RUC had nothing to hide and that its practices were well up to the standards of the best police forces in Britain.

Emergency Provisions Act

Turning to the Order for the renewal for a further six months of the Northern Ireland (Emergency Provisions) Act, Mr Atkins said he had looked at the Act in detail and taken careful account of the development of the security situation over the past six months. He had taken the advice of the security forces and of such bodies as the Standing Advisory Commission on Human Rights. He had decided that the present was not the right moment at which to allow any of the provisions of the Act to lapse. He had taken into account the recommendation of the Advisory Commission that sections of the Act relating to the power of detention and the power of the courts to grant bail should be allowed to lapse. He recognised that the former in particular was a most serious matter affecting a fundamental human freedom but although the power had not been used for the last four years he did not think the point had been reached at which it could be dispensed with.

Conclusions

Mr Atkins concluded his speech by saying that he realised that some would like to see dramatic moves on the political front in Northern Ireland, more far-reaching schemes to tackle the Province's economic ills, and more extreme measures to combat terrorism. In his view the long-term interest of Northern Ireland was best served by a more cautious approach to the possibilities of political development: economic troubles would benefit most from the Government's general approach to industrial matters in the country as a whole; and the policy of seeking to extend the rule of law and to combat terrorism through the law was the one best calculated to overcome those who sought to terrorise their fellow citizens into accepting political structures they did not want.

GOVERNMENT'S RESPONSE TO BENNETT REPORT

Virtually all of the recommendations of the report of the Bennett Committee on police procedures relating to the interrogation of terrorist suspects

in Northern Ireland[1] have been accepted by the Government. Two of the Committee's recommendations relating to closed circuit television in interview rooms and to the right of terrorist suspects to legal advice after 48 hours in police custody were accepted immediately by the previous administration on the publication of the report in March (see p 85) and are being put into operation. The action to be taken on the other principal recommendations is also summarised below.

Conduct of Interviews

Closed circuit television cameras are to be installed in all interview rooms used for interrogation, and monitor screens are to be used by uniformed supervisory staff and senior uniformed officers. The installation of 78 cameras and 98 monitors will begin as soon as possible. Interviews of persons suspected of terrorist offences will take place only in interview rooms and prisoners will be accompanied by uniformed officers at all times except when in the interview room. Viewing lenses are to be installed in the doors of all interview rooms although the great majority have lenses already.

It is agreed that it is desirable for experienced officers to be used on interrogation duties; that a training programme should be devised for detectives; that detective officers should rotate between interrogation and other more general detective duties; that not more than two officers should interview a prisoner at one time, although there may sometimes be a need for other officers to be present; and that not more than four teams of two officers should normally interview a suspect. Women suspects will in future be interviewed only by or in the presence of women police officers. Efforts are to be made to ensure that parents or guardians are present at interviews with children and young persons. No interviews are to take place between midnight and 8.00 a.m. except for the most urgent operational reasons and there should be a break in interviewing for at least one hour during normal meal-times. Uniformed inspectors are responsible for the welfare of prisoners and they should, if necessary, enter the room and stop an interview. Provisions relating to the interrogation of prisoners at present contained in the Royal Ulster Constabulary Code are to be drawn together with those recommended by the Committee to form a separate section of the Code.

Medical Examinations

Present procedures will be adapted to give medical officers the opportunity to satisfy themselves that prisoners are not being ill-treated. If a prisoner complains to a uniformed officer after an interview, the officer will be required to record the complaint in the prisoner's medical records and summon a doctor immediately to allow the prisoner to be offered a medical examination. At two police stations where extended interrogations are carried out all prisoners receive a visit from a medical officer every 24 hours. This practice is to be extended to all similar police stations in the Province. The present practice of allowing a prisoner to be examined by his own general practitioner will continue. If that doctor or his partner is unable or unwilling to attend, the senior medical officer with responsibilty for the prisoner will have to agree with the prisoner's doctor on a suitable substitute.

In order to impress upon prisoners the importance of medical examinations the notice of prisoners' rights which each prisoner will sign before interview will contain a reference to the importance of medical examinations. The present notices displayed in police stations giving details of rights available to prisoners are to be enlarged and displayed prominently and prisoners will be asked to certify in writing that they have read and understood them.

Access to Solicitors

Any prisoner who asks will be allowed a visit from a solicitor (but not from an unqualified legal adviser) after 48 hours in custody and every 48 hours thereafter. The period of access will be up to one hour but the uniformed officer in charge will have discretion to allow a longer period. Because it is necessary to prevent consultations being used to hinder investigations or hamper the administration of justice, where it is considered necessary the consultation will be conducted in the presence of a senior uniformed officer.

Complaints Procedure

In investigating complaints against police officers in cases which have caused public disquiet, or where there is an allegation of serious assault supported by medical evidence, and in other cases where the Chief Constable has grounds for special concern, more use will be made in future of officers from forces other than the Royal Ulster Constabulary. Further instructions will be issued to guide investigating officers. The principle that complainants should be notified of the progress of their complaint is accepted but this will be done every four months rather than every three months as recommended by the Bennett Committee. This is the same interval at which information is given to the Police Complaints Board. Certain other detailed recommendations relating to the role of the Police Authority and the Police Complaints Board in ensuring that complaints are promptly and effectively dealt with have been accepted by the Government.

TALKS WITH IRISH MINISTERS

The Secretary of State for Northern Ireland had discussions in Dublin on 27 June with the Minister for Foreign Affairs of the Irish Republic, Mr Michael O'Kennedy, and the Minister for Justice, Mr Gerard Collins. The meeting was the first between the new Secretary of State and members of the Irish Government. A communiqué agreed at the close of the meeting said that the ministers had discussed a wide range of topics, including the political situation in Northern Ireland, security co-operation and economic co-operation between Northern Ireland and the Irish Republic. They

[1] *Report of the Committee of Inquiry into Police Interrogation Procedures in Northern Ireland.* Cmnd 7497. HMSO, £2·50.

reaffirmed their commitment to co-operative action by the Irish and British security forces against terrorism and pledged the support of their Governments to measures which would lead to a restoration of peace and political stability.

Repeal of Devolution Legislation

Orders have been approved by both Houses of Parliament to repeal the legislation providing for the establishment of elected assemblies in Scotland and Wales. It is proposed to hold talks with the political parties in Scotland to consider how the government of Scotland might be improved. A Select Committee on Welsh Affairs is to be set up to examine the expenditure, administration and policy of the Welsh Office and associated public bodies.

In accordance with the provisions of the Scotland Act and the Wales Act that Orders had to be laid to repeal the legislation if less than 40 per cent of the total electorate in Scotland and in Wales voted in favour of the Acts in referenda (see p 47), Orders have been laid by the Secretaries of State for Scotland and for Wales and approved by both Houses of Parliament. The Order repealing the Scotland Act was approved by the House of Commons on 20 June, and that repealing the Wales Act was approved on 26 June.

Scotland

Opening the debate for the repeal Order for Scotland, the Secretary of State for Scotland, Mr George Younger, referred to the proposal to hold talks between the political parties in Scotland in an attempt to establish common ground as to the scope and direction of improvement in the government of Scotland. Approaches to the parties concerned had already been initiated with a view to launching talks. Mr Younger said that the referendum revealed the 'profound unease' of the Scottish electorate about proposals for an Assembly with legislative and executive powers, and the Government did not wish to press such proposals. It seemed that the right way to start the forthcoming talks was by considering the scope for improving the parliamentary procedures for handling Scottish business. Any consideration of the need for improvement of Scottish government outside the House should proceed on the basis of clear knowledge of the best the House could achieve for Scotland.

Wales

Introducing the debate on the repeal of the Wales Act, the Secretary of State for Wales, Mr Nicholas Edwards, said that following the rejection of the proposals contained in the Act the Government's main initiative should lie in improving parliamentary scrutiny of the affairs of Wales. He therefore proposed the establishment of a Select Committee on Welsh Affairs which would look at the full range of the Secretary of State's responsibilities and have powers to examine the activities of public bodies operating within the area of his responsibilities. The House voted in favour of the establishment of such a committee.

Mr Edwards also said that the Government had undertaken to hold more frequent meetings of the Welsh Grand Committee of the House of Commons. He was also considering the question of the relationship of local and central government and intended to discuss with local authorities ways of improving the consultation processes that already existed. The Government would also consider whether all the nominated bodies were required, and proposed that they should be more exposed to public examination. It intended to ask some of the leading nominated bodies in Wales to hold public meetings to present their annual reports. All these measures were designed to improve the accountability of government in Wales.

Saint Vincent Independence

The Caribbean island of Saint Vincent is to become independent on 27 October following approval by the British Parliament of an Order in Council in July. The new State will be known as Saint Vincent and the Grenadines and will be a constitutional monarchy with the Queen as Sovereign represented by a Governor General.

Background

The link between Britain and Saint Vincent dates back to 1627 but the island's ownership was the subject of dispute between Britain and France during the remainder of the seventeenth and most of the eighteenth century. Taken by France during the American War of Independence, Saint Vincent was restored to Britain by the Treaty of Versailles in 1783. The island remained, for most of the time as part of the Windward Islands, a British colony until 1969. It then became one of the West Indies Associated States, this status giving Saint Vincent full internal self-government with Britain retaining responsibility for external affairs and defence. Associated statehood was intended as an interim stage on the path to independence and three Associated States have already achieved independence – Grenada in 1974, Dominica in 1978 and Saint Lucia in February 1979.

Under the West Indies Act 1967 the status of association can be terminated by resolution of the state's House of Assembly endorsed by a two-thirds majority in a referendum. Alternatively the British Government can grant independence by Order in Council, the procedure followed in the three previous cases. Saint Vincent requested the latter procedure. Before proceeding, the British Government has sought to satisfy itself that the people of the state in question want independence and that a constitution has been drawn up adequately safeguarding fundamental human rights and freedoms. It believes that these criteria have been met in the case of Saint Vincent.

The present Saint Vincent Government was elected in December 1974 on a platform which included independence, and secured over 69 per cent of the popular vote and 10 of the 13 elected seats in the House of Assembly. In 1978 at a constitutional conference, held in London in September, the draft independence constitution was considered; the conference was, however, not attended by Opposition leaders despite their initial acceptance of the invitation. In February 1979 the Saint Vincent House of Assembly debated the constitution which was passed by 10 votes to nil. The Opposition parties did not take part in the committee stage where the constitution was considered in detail and were absent when the House of Assembly vote was taken. They then wrote to the British Government requesting a reconvening of the constitutional conference, so that their own proposals could be considered. This request was rejected by the British Government but in May discussions took place in Saint Vincent between Mr Nicholas Ridley, Minister of State at the Foreign and Commonwealth Office, and Saint Vincent Government and Opposition leaders. After these meetings the Saint Vincent Premier, Mr Milton Cato, agreed to several constitutional amendments. The resulting constitution provides safeguards for the protection of fundamental rights and freedoms.

The Island

The territory of Saint Vincent comprises the main island of Saint Vincent and the northern Grenadines. It is 34 kilometres (21 miles) to the south-west of Saint Lucia and 161 kilometres (100 miles) west of Barbados. It has an area of 389 square kilometres (150·3 square miles) and estimated population in 1978 was nearly 110,000. About half the working population (estimated at 45,000) are engaged in agriculture, forestry and fishing, the main crops being bananas, arrowroot, copra, coconuts, sweet potatoes, carrots, nutmegs and mace, peanuts, cocoa and cassava. The territory's industry is based largely on agriculture.

The most important natural feature of Saint Vincent is the Soufrière, a volcano situated in the northern part of the island and rising to 1,234 metres (4,048 feet) above sea level. Periodic eruptions have occurred throughout the island's history, the most recent on 13 April 1979.

British Aid

Discussions about the levels of British aid to Saint Vincent after independence were held in November 1978. Britain offered aid of £10 million (half on grant and half on interest-free loan terms) for projects agreed between the two Governments. This was the same development package agreed for Dominica and Saint Lucia when they became independent. In addition, the present technical co-operation programme will continue. An offer of budgetary aid for the next two years (about £370,000) was also made by Britain.

Special assistance was given by Britain following the volcanic eruption in April which caused the evacuation of 20,000 people to the southern part of the island where they had to be housed and fed for two months. (The volcanic activity has decreased sufficiently for it to be considered safe for the vast majority to return to their homes.) Britain provided immediate medical supplies, food and financial assistance worth up to £100,000; two ambulances were sent, the Royal Navy frigate, HMS *Gurkha*, visited Saint Vincent to assist the islanders, and British seismologists have been helping local experts to assess the prospects of volcanic activity in the future. Long-term problems of rehabilitation have been considered by Saint Vincent and Britain, and Britain has agreed to provide £250,000 in rehabilitation to banana growers. Other help for Saint Vincent has come from its neighbours and from the United States and Canada.

[For background information see COI fact sheet *St Vincent*, FS/18.]

EXTERNAL AFFAIRS AND DEFENCE

European Community

At the June meeting of the European Council, the first since the election of the new British Government, heads of Government of the Community member countries discussed a number of important issues, including national contributions to the Community budget, and, in advance of the Tokyo economic summit meeting (see p 198), the problem of energy.

The British Government has stated its views on the Common Agricultural Policy, and the Council of Ministers has reached agreement on agricultural prices and related measures, including a devaluation of the green pound by 5 per cent. The Government has also stated its position with regard to a common fisheries policy, and has introduced new conservation measures.

These and other developments in the Community during the past few months are summarised in this article.

EUROPEAN COUNCIL

The European Council met in Strasbourg on 21 and 22 June. The Prime Minister, Mrs Margaret Thatcher, made a House of Commons statement on the meeting on 26 June.

Budget Contributions

Among the topics discussed by the Council was the question of contributions to the Community budget. Mrs Thatcher said that she had made Britain's 'dissatisfaction with the results of the present system very plain'.

The Council had called for action by the Commission to assess how Community budget transfers were likely to affect each member State in 1979 and 1980, and whether and how the 1975 financial mechanism, intended to reduce Britain's contribution (see p 143, 1975), would work. The Commission's report would go first to the finance Council of Ministers, which would have the opportunity to put forward practical ideas to solve the problem and, taking these views into account, the Commission would then formulate proposals in time for decisions to be taken at the next meeting of the European Council in November in Dublin. 'At last, therefore,' said Mrs Thatcher, 'we have agreement to tackle the inequitably high contribution that Britain at present makes to the European budget.'

Energy

On energy and the oil shortage, the Council agreed to reinforce efforts to reduce consumption of oil and to achieve the objectives the Community had already set itself (see p 88). The contribution that alternative sources of energy had to play, in particular nuclear power and coal, was also emphasised. The Council recognised the need for consumer and producer countries to work together to reduce demand and increase supply, and made clear the readiness of the Community and member States to establish contacts with producer countries to that end. Referring to the (then) forthcoming Tokyo economic summit, Mrs Thatcher said that the Community, by showing that it was ready to shoulder its own responsibilities, should be 'in a good position to call on the other industrialised countries to make comparable efforts to reduce oil consumption and imports'. The Council agreed that higher oil prices would adversely affect the outlook for growth, though prices would only steady if demand and supply balanced.

Other Issues

The Council also reviewed the early operations of the European Monetary System (EMS, see pp 415-18, 1978, and p 88, footnote 1), and Mrs Thatcher announced Britain's intention to deposit part of its reserves against the new European currency unit (ECU, see pp 415-18, 1978).[1]

Other matters mentioned in Mrs Thatcher's statement included the Council's support for proposals for an international conference on the refugees from Vietnam, and the fact that the Council had noted with satisfaction the first direct elections to the European Assembly (see pp 143 and 186) and would be represented at its inaugural meeting on 18 July.

AGRICULTURE

Agreement on Prices and Related Measures

At a meeting which lasted from 18 to 22 June, the Community's Council of Ministers agreed on a number of measures which included a freeze for the milk support price, a 1·5 per cent increase in the other support prices, and the devaluation of the British, French and Italian green currencies

[1]Under this arrangement, Britain will deposit 20 per cent of its gold and dollar reserves with the European Monetary Co-operation Fund in return for the issue of a corresponding value of ECUs.

(see pp 45-6, 1978, for an explanation of the green currency system).

Milk

In a statement about the meeting in the House of Commons on 22 June, the Minister of Agriculture, Fisheries and Food, Mr Peter Walker, pointed out that the surplus in dairy products had over recent years become by far the heaviest burden on the common agricultural budget and now took more than 40 per cent of the total expenditure. He continued: 'I was determined to see that this increasing burden was tackled by obtaining a price freeze for milk for the coming year in spite of increasing costs to producers that are taking place throughout Europe.' The price freeze for milk had been agreed for the first time since Britain joined the Community.

The Commission, with support from some member States, had pressed for the introduction of an increased milk co-responsibility levy (see p 200, 1978), with a reduced rate for production below a certain level, which 'would have discriminated heavily against the United Kingdom' (because of the greater proportion of large herds in Britain than in the other Community countries). Mr Walker had not been prepared to accept this proposal and the Council had eventually agreed that the levy should remain unchanged on its present flat-rate basis of 0·5 per cent, 'thus preventing any discrimination against British farmers'.

Sugar

The Minister said that the other commodity in substantial structural surplus was sugar, and, while the cost of financing this surplus was not of the proportions of the cost of the dairy surplus, it was nevertheless a 'significant burden on the budget'. He had 'supported wholeheartedly' the Commission's proposals to reduce the sugar quotas eligible for price support, believing that this was 'the most effective way of making significant progress in reducing Europe's sugar surpluses'. The Commission had, however, decided not to press these proposals for the current year in view of the fact that the crop was already being grown. He therefore urged that the Council should consider next year's quotas in the autumn. He would be 'advocating proposals that will make a significant step towards reducing these surpluses'.

Overall Effect on Prices

Referring to the 1·5 per cent increase in the support prices of commodities other than milk, the Minister pointed out that the reduction in the monetary compensatory amounts, agreed by the Council, would result in the price increase being only 0·5 per cent in the Federal Republic of Germany and 1 per cent in the Benelux countries (Belgium, the Netherlands and Luxembourg). Mr Walker also drew attention to the fact that the average increase in support prices – 1·2 per cent – was 'by far the lowest' since Britain joined the Community.

Green Pound and Community Budget

Mr Walker said that the effect of the 5 per cent devaluation of the green pound[1] – which he had requested – would be to make British agriculture more competitive. It would also reduce by £90 million a year the Community's expenditure on agricultural support. This was currently running at £6,650 million, and the new price increases would add £75 million to it.

Butter and School Milk Subsidies

The Minister said that among his main objectives at the meeting had been lightening the burden of the Common Agricultural Policy on Britain and bringing some substantial benefit to consumers. The Council had agreed to a special butter subsidy for Britain with 100 per cent Community finance at a rate of 38 units of account per 100 kg. The Council had also agreed with his proposal that the cost of reducing the price of New Zealand butter by the equivalent amount should be brought about by a reduction in the special levy payable on that butter rather than a direct subsidy by Britain. The Council had also decided to increase the Community subsidy on school milk to 100 per cent of the full target price of 7 pence a pint. It had also agreed to authorise for a further year the payment of a special subsidy to Northern Ireland milk producers.

Government Views on the Common Agricultural Policy

The Government's views on the Common Agricultural Policy[2] were summarised in the House of Commons debate on the Queen's Speech by the Lord Privy Seal, Sir Ian Gilmour (*Hansard*, 18.5.79, col 560): 'We believe that a long, hard look must be taken at the operations of the Common Agricultural Policy [CAP]. The aim on CAP prices should be that in future they are set at levels, applied in real terms throughout the Community, which do not produce surpluses but offer security to reasonably efficient producers. A first priority will be to eliminate the costly, wasteful surpluses, and that must be done by freezing prices. At the same time, we are determined to protect United Kingdom interests. In particular, we intend to devalue the green pound within the normal lifetime of a Parliament to a point which will enable British producers to compete on level terms with those in the rest of the Community.'

These ideas were elaborated in a subsequent House of Commons debate on 15 June (*Hansard*, cols 769-867) by the Minister of Agriculture. Referring to 'the condition of the Common Agricultural Policy in general', Mr Walker said: 'I think that it will be a considerable advantage to Western Europe if over a period of years of applying a Common Agricultural Policy we can create a Europe which is self-sufficient in food supplies in those areas in which we are not self-sufficient now, and a Europe that can make a major contribution to the world's food resources. That, combined with having a prosperous and contented

[1]The last devaluation of the green pound – also by 5 per cent – was agreed by the Council on 29 March (*Hansard*, 3.4.79, cols 1165-6).

[2]For a summary of the Common Agricultural Policy, see COI reference pamphlet *Agriculture in Britain*, R5961/77.

farming community providing a great number of jobs throughout Europe, should be the ambition of us all.

'What I regret . . . is that we have a Europe where certain commodities have been allowed to go into substantial surplus. The result is a massive financial burden on the Community as a whole and a particularly large and unfair burden upon [Britain] because [it is] a major importer of foodstuffs.'

Mr Walker again referred to the Government's position on the Common Agricultural Policy in a speech at the Farmers' Club in London on 27 June. He said: '. . . we must remove the heavy handicap of the Common Agricultural Policy, the two major structural surpluses of dairy production and sugar. This will be a hard and long task but when it is achieved we will be able to have an effective agricultural policy giving security to Europe, saving Europe from massive import bills and providing Europe with a major economic dimension more important than oil.'

FISHERIES

The Government's Position

The new Government's position with regard to negotiations for a common fisheries policy (see pp 388-9, 1978) was made known in the Queen's speech at the opening of Parliament (see p 119) and in ministerial speeches.

During the debate on the Queen's speech on 18 May, the Minister of Agriculture, Fisheries and Food said that the Government would negotiate in a spirit of endeavouring to obtain a 'sensible' common fisheries policy, but would 'insist on obtaining recognition of [Britain's] legitimate interests to achieve a fair and lasting settlement' (*Hansard*, cols 654-6). This must, in his view, 'provide for effective conservation measures, fair shares of available quotas for the United Kingdom, reflecting [its] losses of fishing opportunities in distant waters, and a proportion of fish resources in waters within [Britain's] fishing limits. Satisfactory arrangements must be made on access, including an adequate exclusive zone to protect inshore fishing interests.'

Mr Walker was also convinced that further action to conserve fishing stocks was needed. He said: 'Whilst we recognise that Community measures would, by definition, be wider and could . . . be more effective in protecting the stocks than national action would be, we shall not hesitate to introduce national measures ourselves if necessary' (see p 186). At a meeting with leading representatives of the fishing industry on 24 May, ministers (Mr Walker; Mr George Younger, Secretary of State for Scotland; Mr Alick Buchanan-Smith, Minister of State for Agriculture, Fisheries and Food; and Lord Mansfield, Minister of State at the Scottish Office) stated that a revised common fisheries policy must provide a comprehensive policy on conservation; an adequate zone of exclusive access and a further considerable area of preferential access for British fishermen; a control system enabling member States to police their own waters; and a very substantial share of the total allowable catch for Britain.

Speaking at the opening of the international fisheries and marine equipment exhibition 'Euro-Catch '79' in London on 27 June, Mr Buchanan-Smith pointed out that the lack of progress on a common fisheries policy created uncertainty which made proper investment and policy decisions difficult. However, the current Commission proposals for the revised policy[1] were not acceptable. 'If there is to be progress', said the Minister of State, 'new proposals will have to be put forward.' The Commission had a major responsibility, 'but the member States also have responsibilities to approach this with a real will to seek a settlement'. Britain was 'ready to play a constructive part, so long as others come forward in the same spirit'. Meanwhile, it could not accept 'piecemeal' solutions 'which together might constitute a comprehensive common policy which is unsatisfactory'.[2]

Mr Buchanan-Smith said that a common fisheries policy must take account of two major considerations. First, the general extension of fishing limits to 200 miles had created an entirely new situation; and, secondly, 'catches of fish in the North Atlantic and North Sea have declined until stocks of almost all the main human-consumption species are over-exploited: of these, some have reached critically low levels and, as a consequence, fishing has had to be banned'.

After emphasising the 'crucial need . . . to conserve fish stocks for the future', the Minister of State said: 'An essential adjunct to conservation is the need to limit overall catches in the light of scientific advice. Within the total allowable catches so determined, [British] fishermen must be assured of a fair and lasting share. Extension of fishing limits by other countries and depletion of important stocks inevitably means adjustment in former patterns of fishing and, in particular, has led to increased pressure not by British vessels alone – far from it – on the productive areas of sea around [Britain's] coast.' These were the reasons why Britain required access arrangements that recognise its special position and provide the different sectors of fishing industry with 'a reasonably sure base on which to plan for the future'.

Mr Buchanan-Smith emphasised the British fishing industry's 'need to face radical changes in structure' because of overfishing and the closure of distant-water fishing. This had also implications for processing, which had to adjust to a 'sharply changed pattern of fish species' in Britain's supplies. The Government was examining a range of proposals for dealing with these problems.

Council Meeting

The Community's Council of Ministers discussed fisheries policy at its meeting on 25 June. Unable to reach agreement on the policy's internal aspects, it agreed to an extension of the existing arrangements until 31 October or until definitive agreement has been reached, whichever is the earlier. These arrangements require member

[1]See p 46, 1978; since that article was written, certain modifications have been proposed by the Commission.

[2]See p 186 for Mr Walker's reference to the 'piecemeal' approach.

States to have regard to the needs of conservation in the management of fisheries.

Reporting on the meeting in a House of Commons written answer on 26 June, Mr Walker said that the other member States and the Commission had urged that Britain should abandon the national conservation measures which he had announced earlier (*Hansard*, 18.5.79, cols 655-66; the measures were subsequently introduced – see below). The Commission had proposed conservation measures, the first of which would not have come into operation until September, but the Government had considered it vital that its own measures should come into force on 1 July, as planned.

Mr Walker had refused to accept changes proposed in the existing Community arrangements. He had told the Council that Britain was not prepared to accept 'the piecemeal approach' that would be involved in the adoption of a number of limited measures which had been proposed. He had made it clear to the Council that any discussion on the common fisheries policy in the coming months would have to recognise Britain's 'fundamental fishing interests'.

British Conservation Measures

On 29 June, the Government introduced new conservation measures, with effect from 1 July. The measures increase minimum mesh sizes for nets used in fishing for white fish and for nephrops (a kind of lobster). They also increase minimum landing sizes for whiting, and prescribe minimum landing sizes and maximum by-catches (that is, quantities caught when fishing for other species) for nephrops. The existing ban on herring fishing in the North Sea (see p 269, 1977) is to continue during 1979.

ECONOMIC POLICY

Loan Facility

At a Council of Ministers meeting on 14 May a decision was adopted empowering the Commission to contract loans for the purpose of promoting investment within the Community. Known as the 'Ortoli facility', a first tranche of borrowings has been authorised up to 500 million European units of account, and will be used to finance investment projects consistent with priority Community objectives in the infrastructure and energy sectors.

Regional Development Fund

Grants of £27 million to Britain from the Regional Development Fund were announced by the Commission on 6 June. This is the second allocation from the Fund this year (see p 89), and brings the total for 1979 to £40 million. The new grants relate to five industrial and 85 infrastructure projects in Britain's assisted areas.

TRANSPORT

UN Liner Code

A Council of Ministers regulation on the United Nations code of conduct for liner conferences was formally adopted on 15 May. In a written parliamentary answer (*Hansard*, 17.5.79, cols 3-4) Mr Norman Tebbit, Parliamentary Under-Secretary of State at the Department of Trade, said the regulation opened the way for member States to become contracting parties to the code, subject to a number of reservations and internal Community arrangements. New legislation, however, would be required before Britain could accede.

The code of conduct relates to so-called liner conferences which govern such matters as cargo-sharing between developed and developing countries, freight rates, shipper-ship owner relationships, and procedures for settling disputes. The Council decision embodies a common Community approach and means that the code can now come into effect.

Mr Tebbit said that the essence of the Community's position was that member States would not apply 'the code's cargo-sharing and certain other of its rigid features in conference trades with other OECD [Organisation for Economic Co-operation and Development] countries parties to the code – provided these countries offer reciprocity'. These arrangements were without prejudice to the opportunities for participation in these trades by national shipping lines of developing countries in accordance with the principles reflected in the relevant part of the code. In trades between the Community and developing countries parties to the code, developing country lines would enjoy full rights under the code. The shares of trade falling to Community lines would be redistributed on a commercial basis and the lines of other OECD countries would – subject to reciprocity – be able to participate in this redistribution. Conciliation would be available in the event of disputes.

Mr Tebbit concluded his statement by saying that Britain welcomed the common position which had been achieved within the Community, and hoped that it would facilitate 'a more general solution among developed and developing countries to this difficult issue'.

EUROPEAN ELECTIONS

Composition of the European Assembly

Following the recent direct elections in each of the member States (see pp 83-5 and p 143), the new European Assembly consists of 410 representatives, most of whom are divided into seven political groups. The opening of the first session of the new Assembly took place on 17 July and the formal opening of the sitting on the following day.

As in the former nominated Assembly, the members sit according to party affiliation and not nationality. The six main groups have the following approximate number of representatives[1]: Socialists 109, European People's Party 107, European Democratic Group 63, Communists 46, Liberals and Democrats 40, and European Progressive Democrats 22. The seventh group consists of 10 to 13 independents, the remainder of the Assembly being composed of individual independents.

[1]The figures indicated for each group are provisional and subject to change.

The Assembly meets 12 times a year in either Strasbourg or Luxembourg and its committees sit in Brussels.

FOREIGN RELATIONS

New Lomé Convention

The text of a new Lomé Convention was substantially agreed at a meeting between ministers from the African, Caribbean and Pacific (ACP) states and the Community which ended on 27 June. In a statement to the House of Commons on 29 June, Mr Douglas Hurd, Minister of State at the Foreign and Commonwealth Office and the leader of the British delegation at the talks, said that the text provided for improved access to the Community for Commonwealth ACP exports of rum and beef. It also provided for increased Community aid and European Investment Bank lending, special arrangements for ACP mineral producers, expansion of the number of products covered by the 'Stabex' scheme and new commitments on both sides for the promotion and protection of investments. (For further information on the existing Lomé Convention see pp 51-3, 1975, and COI reference pamphlet *Britain in the European Community: The Developing Countries*, R6030/77.)

Strategic Arms Limitation Agreement

A second Strategic Arms Limitation agreement (SALT II) between the Soviet Union and the United States of America[1] was signed on 18 June. The British Government has welcomed the signing of the agreement.

The agreement consists of three separate documents: (1) A treaty lasting until the end of 1985, which limits strategic nuclear delivery systems on both sides to 2,250 by the end of 1981. It sets sub-ceilings on individual elements, including an aggregate limit of 1,320 on launchers of ballistic missiles with multiple independently-targeted re-entry vehicles (MIRVs) and heavy bombers deployed with long-range cruise missiles. The treaty also contains provisions limiting the qualitative improvement of existing strategic systems and the introduction of new systems, as well as detailed provisions on definitions and verification. (2) A protocol lasting until 31 December 1981, which prohibits deployment of mobile intercontinental ballistic missile launchers and ground- and sea-launched cruise missiles with ranges over 600 kilometres. (3) A statement of principles about the approach to future SALT negotiations.

British Government's Views

Asked to comment on SALT II at a Foreign Office press conference on 27 June, an official spokesman said that the British Government welcomed the agreement. Successive British Governments had strongly supported the efforts of the United States administration to negotiate balanced and verifiable agreements limiting strategic arms. Throughout the negotiations leading to the new agreement, the United States had kept its allies informed of progress and had consulted them particularly on aspects of special concern to them. The Government was satisfied that 'the agreement will not interfere with continued nuclear and conventional co-operation between the United States and its allies and that the essential security interests of the alliance are safeguarded'. It hoped that the treaty would be ratified.

Asked to comment on the details of the agreement, the spokesman said that 'SALT II must be seen as a carefully balanced compromise between the different interests and attitudes of the two sides'. It broke new ground in placing equal ceilings on the strategic systems of both sides, which would involve the dismantling of some Soviet delivery systems, and in applying qualitative limits. It was thus an important step in the continuing process of arms control which the Government saw as complementary to the Western alliance's defence capability.

[1]See p 149. For background information on arms control, see COI reference pamphlet *Arms Control and Disarmament*, R6031/77.

State Visit of Kenyan President

President Daniel Arap Moi of Kenya paid a state visit to Britain from 12 to 14 June, the first such visit made by a Kenyan President, and had talks with the Prime Minister, Mrs Margaret Thatcher, and other British government ministers.

Speeches

In a speech given at a state banquet for President Moi on 12 June, the Queen described the visit as a 'happy and indeed historic occasion', and expressed delight that the President had come to Britain 'to reaffirm and to strengthen the friendship between our peoples'. The Queen paid a special tribute to the role of Kenya in promoting 'moderation and good sense in international affairs' and said that 'the wise advice of Kenya has been much respected in the councils of the world'. She pointed out that Britain and Kenya traded amicably and successfully and that membership of the Commonwealth joined both countries together 'in an association that provides a unique forum for informal consultation and co-operation between sovereign states'.

President Moi's speech welcomed the fact that links between Britain and Kenya reached 'far beyond economic partnership or convenient political alliance'. In particular abundant opportunities had been created 'for students and trainees to acquire [in Britain] a fund of badly-needed knowledge and skills', and thousands of British citizens lived and worked in Kenya 'making a significant contribution to the development of our republic'. While expressing his 'profound satisfaction' with the manner in which bilateral links between Britain and Kenya had been forged, President Moi said

that the interests of states and the influences bearing upon the development of nations were vividly coloured 'by the activities . . . of regional groupings and international institutions'. Since Britain was within or closely adjacent to the highest counsels of these bodies, it was often better placed than Kenya, and Kenya hoped that the impact of British initiative and practical support would mount.

Talks with Prime Minister

Following the conclusion of talks between President Moi and the Prime Minister and other government ministers, Mrs Thatcher spoke at a luncheon on 13 June in honour of the Kenyan President saying that the political and economic interests of Britain and Kenya were closely linked and that there were no substantial bilateral differences between the two countries. Britain was keenly interested in the well-being of the Kenyan economy, and commercial relations between the two countries were substantial, each country being an important market to the other (see below). Mrs Thatcher said that British investment, in increasingly close partnership with Kenyan interests, had played an important part in Kenya's extensive commercial relations, and Britain was glad that public investment in the form of British aid (over £200 million since independence) supported Kenya's own development plans.

Turning to the international scene Mrs Thatcher said that the difficult world economic situation presented challenges and that with oil price rises and shortages in oil supplies, the prospects for world growth were not good. This was worrying, particularly for the smaller and poorer countries. Both governments faced many common problems and were determined to do this with honesty and goodwill.

The Prime Minister said that the two leaders had discussed the question of Rhodesia. She commented that political progress had taken place in Rhodesia 'of a kind and on a scale which would previously have been unthinkable and which, in the British Government's view, represents a fundamental change in the circumstances in that country'. Although it had a special responsibility towards Rhodesia, Britain wished to proceed in the closest consultation with its friends in the Commonwealth. (See below for a fuller statement of government policy.)

Mrs Thatcher said that her colleagues had greatly valued the opportunity to discuss these questions with President Moi and that friends of Africa would learn from the example of Kenya that 'where there is the will to succeed, where men and women of all races and creeds pull together, and where there is a spirit of reconciliation, the great prize can be won. That prize is fundamental but peaceful change leading to stable and democratic government. Where Kenya has shown the way, others can surely follow.'

Trade

Kenya is Britain's third biggest trading partner in Africa (after Nigeria and South Africa). In 1978 British exports to Kenya were worth £196 million, and consisted mainly of machinery and transport equipment, manufactured goods and chemicals. Britain's imports from Kenya – mainly tea, coffee and crude materials – were valued at £115 million.

During his visit President Moi met British businessmen to discuss ways of increasing trade between the two countries and furthering British investment in Kenya. He also visited two farms to see herds of both beef and dairy cattle.

Rhodesia

The Government's intention to put forward proposals to bring Rhodesia to legal independence on a basis it believes to be internationally acceptable was announced by the Secretary of State for Foreign and Commonwealth Affairs, Lord Carrington, in a House of Lords debate on 10 July.[1]

Opening the debate, which was devoted entirely to the topic of Rhodesia, Lord Carrington said that Britain had a moral responsibility to secure the best possible future for a country to which it was linked by so many historical ties, and had a constitutional responsibility to achieve a proper basis for independence, He pointed out that the Government had not yet come to final conclusions about the proposals that Britain intended to make in fulfilment of that responsibility as the process of consultation had not been completed. It was the Government's intention, when the consultations had been completed, to make firm proposals to bring Rhodesia to legal independence on a basis which it believed should be acceptable to the international community. Lord Carrington said that the proposals would take account of what had been achieved in Rhodesia (see pp 151-2) and would, he hoped, be comparable with the terms on which Britain had granted independence to other countries in the Commonwealth.

The Foreign and Commonwealth Secretary said that efforts had been made by successive British Governments to settle the Rhodesia issue 'in a fair and impartial fashion'. In the Government's view the Rhodesian elections had changed the situation fundamentally in that there was an African majority in the Rhodesian Parliament and Government (see pp 151-2). That Government had come to power 'as the result of elections in which most of the adult population . . . were for the first time able to participate'. The elections had taken place in difficult circumstances, but 'nearly all those who witnessed [them] were impressed by the manner in which they were conducted and by the evidence of extensive popular support for Bishop Muzorewa'. (See pp 151-2.)

Lord Carrington stated that Bishop Muzorewa had campaigned in favour of majority rule for many years and that he needed Britain's help and encouragement if he was to demonstrate that a fundamental change had taken place in Salisbury, that a new Government with new policies was in

[1] *Hansard, HL*, cols 757-867.

control and that, as the British Government believed, Rhodesia was embarked on the road to a multi-racial society.

Lord Carrington said that the Government stood by its commitments, and intended to carry out its constitutional responsibilities. The greatest service it could render to the people of Rhodesia was to try to stop the war and help to create conditions of greater stability. It had therefore been discussing the problem, and Britain's approach to it, with its friends in Europe, the United States Government and other Commonwealth and African Governments, and these consultations would continue. Particular importance was attached to the discussions to be held in Lusaka in August at the Commonwealth Heads of Government Meeting, as the problem was a matter of concern to the entire Commonwealth.

The Government was aware that elsewhere in Africa and among Rhodesia's neighbours different views were held as to whether a real transfer of power had taken place from the minority to the majority. The Government could not, nor would it wish to, ignore those views. It had sent Lord Harlech to consult with the governments principally concerned with the aim of considering how progress could be made 'towards the objective of restoring Rhodesia to legality with the widest possible acceptance' (see pp 122-3 and 152). Lord Harlech had had discussions with the Presidents of Zambia, Tanzania, Botswana, Malawi, and Angola, the Mozambique Government, and the Nigerian Federal Military Government. The Parliamentary Under-Secretary of State at the Foreign and Commonwealth Office, Mr Richard Luce, had held discussions with other governments in West Africa. Lord Harlech had also discussed the Rhodesia situation with the two wings of the Patriotic Front in Maputo and Lusaka. He had found in Africa an encouraging recognition that major changes had taken place in Rhodesia and a widespread feeling that a solution had to stem from the British Government as the legally responsible authority. Criticism had also been expressed of the Rhodesian constitution, in particular of the blocking power given to the white minority over a wide range of legislation and also of the character of the public service commissions.

Lord Harlech had also seen Bishop Muzorewa and his colleagues and had been able to inform them about the views and attitudes of the African presidents and the Patriotic Front. He had assured the Bishop of the goodwill towards him in Britain and of the Government's conviction that the present situation gave Britain the opportunity to work with him for a lasting and generally acceptable settlement. [These discussions were pursued during Bishop Muzorewa's subsequent visit to London from 12 to 14 July. The Bishop had previously had talks in the United States where he met President Carter.]

Mr Derek Day, the Foreign and Commonwealth Office official asked to develop contacts with Bishop Muzorewa and his colleagues (see p 152), had had several meetings in Salisbury. The Foreign and Commonwealth Secretary believed that his presence there had made 'an important contribution towards assuring Bishop Muzorewa of [the British Government's] desire to work with him and to discuss the way forward with him and his colleagues'. Britain now had closer contact and was in a better position to influence events in Rhodesia than at any time since the unilateral declaration of independence [in 1965].

Shorter Notes

KIRIBATI

On 12 July, following legislation passed by the British Parliament in June, the Gilbert Islands became the independent republic of Kiribati (pronounced Kíribass); on independence Kiribati joined the Commonwealth as its forty-first member. Kiribati comprises 33 islands in the Pacific Ocean – the Gilbert Islands group including Banaba (Ocean Island), the Line Islands and the Phoenix Islands – scattered over 5 million square kilometres (2 million square miles). As agreed at the constitutional conference held in London in 1978 (see pp 23-4), Kiribati is a sovereign and democratic republic with an elected House of Assembly. The elected President is head of State and head of Government. The first President is the Hon Ieremia Tabai, the former Chief Minister.

The constitution protects fundamental human rights and freedoms and contains special provisions guaranteeing rights for Banaba and the Banabans (see pp 23-4) who have campaigned for the separation of Banaba from Kiribati. Further discussions took place in May between Gilbert Islands ministers and representatives of the Banabans, and both sides have expressed readiness to meet again after Kiribati's independence.

Britain will continue to provide Kiribati with development assistance. At the constitutional conference it agreed to provide development aid of up to £15·5 million in the four years 1979 to 1982 and accepted that, in view of the loss of revenue from phosphate mining in Banaba (due to end in 1979), special financial assistance was necessary to support Kiribati's constitutional, social and economic development; this will be up to $A 9·1 million in the period between 1979 and 1982 (the local currency is the Australian dollar; in mid-June £1 sterling equalled $A 1·90). Britain has also promised additional support in the event of emergencies, such as natural disasters, and there will be a continued technical co-operation programme for the training of local personnel and for the supply of expertise not available locally.

[For further information see COI factel, *Kiribati*, No 4/Factel/79.]

THE CROWN AGENTS

The wide variety of services provided in 1978 by the Crown Agents for Oversea Governments and Administrations for 300 or so government ministries and public bodies in nearly 100 countries is

surveyed in the Chairman's annual review published in June.[1] This was the Crown Agents' last operational year before its powers and functions as an incorporated body were defined by Act of Parliament (see pp 48-9).

In its traditional function, the procurement of supplies on behalf of its principals, the Crown Agents placed 30,000 orders for 80 countries with a value of £217 million, an increase of 10 per cent on 1977. Much of this was for engineering supplies, such as locomotives and railway wagons, electric power plant, telecommunications equipment and engineering plant, with the remainder including medical supplies, paper, printing equipment, chemicals, building materials, fertiliser, livestock and security printing. The demand for the Agents' professional engineering services also continued to grow, the value of engineering equipment inspected rising by a quarter to £184 million, much of it for equipment contracts not placed with the Agents, while consultancy, advisory and management services were provided for engineering projects worth £223 million in 18 countries. Investment funds managed by the Agents were valued at £2,100 million at the end of the year.

The Crown Agents involvement in Britain's aid programme has grown steadily in recent years, and in 1978 it administered 195 loans and grants worth £1,392 million on behalf of the British Government. It also managed 142 of these, with a value of £875 million, on behalf of its principals. In addition, the Agents played a prominent role in disaster relief operations, despatching supplies for 17 emergencies in 13 countries. These included food supplies for drought victims in the Sahel region of Africa (on behalf of Saudi Arabia); medical supplies for Belize following hurricane damage; water tanker trailers to help relief operations for the Ogaden refugees in Somalia; drugs, tents and blankets for famine victims in Ethiopia; and drugs for refugees in Zaïre, Angola and Lebanon. During the year the Agents established a Rural Development Service to co-ordinate the work of its specialist divisions in relation to the rural sector and to provide research and planning support for rural development schemes. A second new service, the Health Care Service, aims at the provision of integrated health services.

[For further information, see COI short note *The Crown Agents*, SN5958/77.]

[1] *Crown Agents for Oversea Governments and Administrations. Chairman's Review and Accounts 1978.* Available free from the Crown Agents, 4 Millbank, London SW1P 3JD.

ECONOMIC AND SCIENTIFIC AFFAIRS

The Budget 1979-80

In its June Budget the Government aims to stimulate production by strengthening incentives to encourage output and innovation within a framework of greater freedom of choice for the individual. Proposals include a shift from taxation on earnings to taxation on spending and, to control inflation, the use of firm monetary discipline and of fiscal policies consistent with it. Cuts are to be made in public expenditure as part of the Government's policy to reduce the public sector borrowing requirement and the burden of direct taxation. This will be accompanied by a reduction in the extent of state-ownership of industry, regarded as an essential part of a long-term programme for promoting 'the widest possible participation by the people in the ownership of British industry'. Expenditure cuts announced in the Budget, savings in planned programmes resulting from cash limits policy and the proceeds of sales of state-owned assets amount to some £4,000 million at current prices.

In his speech (*Hansard*, 12.6.79, cols 235-63) the Chancellor of the Exchequer, Sir Geoffrey Howe, spoke of Britain's relative decline in prosperity over the last 25 years and of the threat of absolute decline. This was not a prospect which he or, he believed, the British people were prepared to accept.

THE BACKGROUND

Sir Geoffrey spoke of the discouraging prospects for the world economic environment but said that the solving of domestic problems would enable the economy to rally, even in a world of slow growth. The 30 per cent average rise in oil prices over the last six months provided one reason why growth in most countries was likely to be significantly lower than in 1978. There was clearly a need to do more about both conservation and supply of energy. He stressed, however, that international progress on energy policy, growing production of North Sea oil and changes in the system of contributions to the European Community budget, for which the Government would continue to press, could not cure the 'deep-seated weaknesses' of the domestic economy.

Recent experience had led the Government to believe, the Chancellor said, that 'notions of demand management, expanding public spending and "fine tuning" of the economy' were unsuccessful. He commended the previous Government for instituting the practice of setting money-supply targets. 'The poor performance of the British economy in recent years has not been due to a shortage of demand. We are suffering from a growing series of failures on the supply side of the economy.'

A NEW STRATEGY

The Government's new strategy to check Britain's long-term economic decline was based on four principles. There was a need to strengthen incentives, by allowing people to keep more of what they earned, so that hard work, talent and ability were properly rewarded; to enlarge freedom of choice for the individual by reducing the role of the State; to reduce the burden of financing the public sector, so as to leave room for commerce and industry to prosper; and lastly to ensure, so far as possible, that those who took part in collective bargaining understood the consequences of their actions – for that was the way to promote a proper sense of responsibility.

These principles required substantial changes in the workings of the economy, the Chancellor said, of which the tax changes he was about to announce were only the first step.

Inflation

These changes would not be sufficient unless 'we also squeeze inflation out of the system'. It was crucially important to re-establish sound money and the Government intended to achieve this through firm monetary discipline and fiscal policies consistent with that discipline, including strict control over public expenditure. Financial responsibility on the part of the Government must be supported by responsibility elsewhere. People must understand and accept that the only basis for real increases in wages and salaries was an increase in national production. Higher pay without higher productivity could lead only to higher inflation and unemployment. It was important for this to be understood by all those concerned with wage negotiation. The Government would be 'more than willing' to consider better methods of ensuring that it was. Certain limitations must be recognised, the Chancellor continued: in the public sector, what the ratepayer and taxpayer could afford; in industry, what the customer was prepared to pay, what the firm needed to invest, and

what the pressure of competition demanded; and, throughout the economy, the limits imposed by the need to control the money supply.

Monetary Policy

The Government is committed to the progressive reduction of the rate of growth of money supply and, as the first step in this process the Chancellor lowered the target range for the growth of sterling M3 – money in circulation and UK residents' sterling bank deposits – in the remainder of 1979-80 to an annual rate of between 7 and 11 per cent (previously 8-12 per cent). The target is to be rolled forward by six months in the autumn.

The Government also intends to change the way in which the target is achieved, relying less on curbing the private sector and more on fiscal restraint and economy by the public sector. This policy required a significant reduction in the public sector borrowing requirement (PSBR) from the figure of around £10,000 million which it would otherwise have reached in 1979-80. There were, however, the Chancellor said, limits to the extent by which public expenditure could be curtailed in the remainder of the current year. Even so he intended to reduce the public sector's financial needs enough to make it possible to achieve his monetary target with less restraint on the private sector. It would inevitably be some time, however, before the fiscal measures in the Budget took effect. In the meantime, therefore, and particularly given the continuing rise in bank lending, the Bank of England was extending the supplementary special deposits scheme, or 'corset', by three months. In addition the minimum lending rate would be raised by 2 per cent to 14 per cent.

Sir Geoffrey said that his best estimate was that the changes in taxation and public expenditure he was announcing would be sufficient to reduce the PSBR to £8,250 million in 1979-80, compared with an outturn of £9,250 million in 1978-79, a reduction from over 5·5 per cent of gross domestic product (GDP) in 1978-79 to less than 4·5 per cent in the current year.

Commenting on his fiscal actions the Chancellor conceded that 'conventional forecasting arithmetic' did suggest that the economy would show no growth in the immediate future. He warned, however, that to aim at a significantly higher PSBR, in other words 'to ease the stance of fiscal policy', would fuel inflation, resulting ultimately in less growth, less employment and higher prices. It followed, Sir Geoffrey said, that any decline in economic activity which might, on a narrow view, be attributed to the Budget would be essentially the consequences of the economic situation which had made such measures inevitable, while inflation was being brought under firm control.

EXCHANGE CONTROL

Turning to his Budget proposals the Chancellor said that this was an appropriate time, given the current and, he expected, continuing strength of sterling, to start relaxing controls on outward capital flows, thereby giving both companies – particularly smaller companies – and individuals a wider freedom of choice.

In the initial stage the emphasis would be on direct investment overseas. Official exchange would be made freely available for new overseas direct investment to the extent of £5 million a project a year. The two-thirds rule [which requires British companies to repatriate annually at least two-thirds of the net taxed earnings of overseas subsidiaries] was to be abolished. The facility to use sterling to finance third-country trade, withdrawn during the sterling crisis of 1976, would be restored to British merchants. [It was announced by the Treasury on 4 July that the ban would be lifted from the following day. UK resident merchants may now use sterling without limit for the financing of third-country trade. The ban on UK resident banks financing such trade in sterling on their own account remains.]

The Chancellor also announced that there would be some immediate easing of the controls on individuals with effect from 13 July. [Foreign exchange facilities for travel expenditure abroad would be doubled from £500 a trip to £1,000 (£200 a day, £5,000 a journey for business travel). The value of foreign currency notes which may be exported by travellers would also be increased to £1,000. The official exchange emigration allowance would be increased to £200,000 a family unit.] Other relaxations included currency for the purchase or improvement of overseas property for private use, and cash gifts and payments to dependants abroad.

In regard to portfolio investment, the Chancellor abolished the requirement to maintain 115 per cent cover, in the form of foreign currency securities or investment currency, for overseas portfolios financed by foreign currency borrowing, and made available official exchange for meeting interest payments on such borrowing. The controls introduced in April 1975 over the import of and dealing in gold coins and medals would be abolished. [However, the rules governing export of gold coins will remain unchanged. The 1975 controls prohibited the import of gold coins minted after 1937 (originally 1837) except by authorised dealers in gold with individual import licences.]

The Government intended to continue the progressive dismantling of exchange controls. Britain's external debts had increased from £8,000 million in 1974 to £22,000 million and the Government intended to reduce them substantially.

PUBLIC EXPENDITURE

Announcing savings in public spending, the Chancellor said the Government was totally committed to improving standards in the public services but that this could only be achieved if the economy were strong in the first place. 'Finance must determine expenditure, not expenditure finance.' Substantial reductions would be made in the remainder of 1979-80.

Cash limits would not be increased to cover prices higher than those provided for in the original cash limits for the year. The previous Government's commitments on pay to the universities and health services would be honoured, although in general adjustment of the cash limits

Table 1

Expenditure Cuts

£ million at 1979 Survey prices

Housing	300
Water authorities	55
Community land	50
Urban programme	7
Property Services Agency	25
Regional development grant deferral	145
Other industry, mainly NEB	65
Training and employment	172
Education	55·5
Arts, libraries and National Land Fund	4·5
Increased prescription and dental charges	34
Overseas aid	50
Trade	30
Gas, electricity, BNOC and other energy	323
Transport (roads 10, railways 15)	25
Scotland	76
Wales	16
Northern Ireland	35
Total	*1,468*
Cut in contingency reserve	250
Defence (increase)	−100
Total net cuts	**1,618**

In addition to these cuts cash limits policy is expected to reduce planned programmes by £1,000 million in 1979-80. Receipts from disposal of assets are estimated at £1,000 million.

would be limited so that substantial offsetting economies would have to be found. The need for economies applied equally to local authority expenditure. The Government would take account of pay settlements in calculating the increase orders for the rate support grant. There would be an across-the-board reduction of £300 million for England and Wales and £35 million for Scotland. The cash limits on departments and fringe bodies were being set to ensure that economies of 3 per cent were achieved on manpower costs in 1979-80. The main departmental cuts are given in Table 1.[1]

Although it was not the Government's intention to reduce expenditure on the health service, prescription charges would be increased from 20p to 45p. This would still leave them cheaper in real terms than they had been in 1971. The present range of exemptions would be maintained. Certain dental charges would also be increased.

Spending would be increased on defence (£100 million) and social security benefits (see p 206).

Sales of state-owned assets to the private sector, the Chancellor went on, served the immediate purpose of helping to reduce the PSBR but over and above this they were an essential part of the long-term programme for promoting the widest possible participation by the people in the ownership of British industry. The Government's intention was that proceeds of sales should amount to some £1,000 million in 1979-80, the largest contribution to which would come from the sale of a further part of the Government's shareholding in British Petroleum.

[1]The Government's proposals for revised cash limits for 1979-80 were made public on 26 June and later published by HMSO as Cmnd 7604.

INDIRECT TAXATION

The Government had made clear its intention to switch some of the tax burden from taxes on earnings to taxes on expenditure. 'This is the only way that we can restore incentives and make it more worth while to work; and at the same time increase the freedom of choice of the individual.' There were many arguments for choosing value added tax (VAT) to provide increased revenue: about half of consumer spending was not chargeable to VAT; poorer households tended to spend proportionately more of their income on zero-rated goods such as food, children's clothes, heating and light, public transport, house prices and rents and thus VAT, unlike most indirect taxes, was not regressive; by comparison with taxes such as those on alcohol and tobacco, VAT was much more broadly based; and there was a real opportunity for simplifying the operation of the tax by unifying the rate. The Chancellor proposed that from 18 June VAT should be charged at a new unified rate of 15 per cent. Allowing for the goods which were and would remain zero-rated the new proposed rate was equivalent to 8 per cent averaged over the whole of consumer expenditure, significantly less than the European Community average. The Chancellor claimed that the increase in yield would provide scope for further reductions in direct tax in later years. He estimated that the increase in VAT would raise the retail price index by 3·5 per cent but pointed out that this would be a once and for all effect.

SOCIAL SECURITY PAYMENTS

The standard rate of retirement pensions is to be increased in November by £6·10 to £37·30 for a married couple and by £3·80 to £23·30 for a single person. Under existing rules pensions were uprated on the basis of the movements in prices or earnings, whichever was the greater. For the future, the uprating would be based on price movements. This would be a minimum requirement and would 'fully protect the value of these pensions against price increases at all times, including those arising from indirect tax changes' announced in the Budget. Other increases in social security benefits were also proposed (see p 206).

The one-parent premium [an addition to the child benefit for one-parent families] would be raised from £2 to £2·50 in November. The mobility allowance for the disabled would be increased from £10 to £12 at the same time and the Government would honour its commitment to pay pensioners a £10 bonus at Christmas. These measures were largely covered by the existing social security programme, the balance being charged to the Contingency Reserve.

OIL AND PETROLEUM TAXATION

Hydrocarbon Oil Duties

At a time when there was a world-wide shortage of crude oil it was essential that Britain should

play its full part in achieving the 5 per cent reduction in consumption announced by the previous Government (see pp 105 and 198). With this in mind the Chancellor proposed to increase the petrol duty and derv duty by 7p a gallon and the duty on heavy oil, other than derv, by ½p. The duty on burning oils and domestic paraffin would not be raised.

In view of these increases, no change was to be made in the rate of vehicle excise duty.

Car Leasing

The Chancellor closed a tax loophole whereby leased cars avoided the special rules restricting allowances for business cars. This had resulted in a loss of tax, currently running at about £175 million a year.

Petroleum Revenue Tax

Against the recent rises in oil prices, the Government had decided that the previous Government's proposals to increase petroleum revenue tax (PRT) from 1 January 1979 were fully justified, and would now be introduced. [Accordingly, subject to Parliament's approval of the Finance Bill, PRT will be raised from 45 to 60 per cent; the rate of 'uplift' will be reduced from 75 to 35 per cent for certain qualifying expenditure incurred under contracts entered into on or after 1 January (expenditure undertaken to bring about the commencement of oil production, or a substantial increase in the rate of production and for certain other purposes, qualifies as an expense to be set off against PRT liability and is also eligible for an 'uplift' against PRT); and the 'oil allowance', free of PRT, for each field will be reduced from 1 million tons, subject to a cumulative limit of 10 million tons per field, to 500,000 tonnes a year, subject to a limit of 5 million tonnes (1 ton = 1·016 tonnes).] The British National Oil Corporation would no longer be exempted from PRT.

BUSINESS TAXATION – INCLUDING CAPITAL TAXATION

The Government intended to make the taxation of capital 'simpler and less oppressive'. It is to conduct a thorough study of capital taxation – capital gains tax and capital transfer tax (CTT) – with a view to legislation at an early date. To maintain the present position the Chancellor proposed to extend for a further two years the period for CTT transitional relief for capital distributions from discretionary trusts and to defer for the same period the introduction of the periodic charge.

Development Land Tax

The Government had already announced its intention to repeal the Community Land Act. So far as the Development Land Tax (DLT) was concerned the Chancellor proposed to replace the existing two-tier rate system [66⅔ per cent on the first £150,000 of chargeable development value and 80 per cent on the remainder] by a single rate of 60 per cent. The amount of development value which can be realised in a financial year without liability to DLT would be raised from £10,000 to £50,000. Sir Geoffrey stressed that further reductions in the rate were not proposed and that the increase in the exemption level should make early revision unnecessary. He felt that this announcement should 'remove the uncertainties which have been hanging over the market'.

Table 2

Summary of Central Government Transactions

£ million

	1978-79		1979-80 forecast	
	Budget forecast	Outturn*	Before Budget changes	After Budget changes
Consolidated Fund				
Revenue	42,746	43,088	52,168	51,013
Expenditure	51,378	51,469	61,096	59,371
Deficit	−8,632	−8,381	−8,928	−8,358
National Loans Fund				
Consolidated Fund deficit (as above)	−8,632	−8,381	−8,928	−8,358
Other transactions:				
Receipts	6,400	6,458	8,150	8,150
Payments	−7,640	−6,674	−10,413	−10,119
Total net borrowing by the National Loans Fund	−9,872	−8,597	−11,191	−10,327
Other funds and accounts (net)	+1,935	+554	+289	+763
Central Government Borrowing Requirement	**−7,937**	**−8,043**	**−10,902**	**−9,564†**

*As a result of Civil Service industrial action, payments and receipts in 1978–79 may each have been reduced by about £150 million, the net effect on the central government borrowing requirement being negligible.

†This figure does not take account of the proceeds from the sale of assets (see p 193).

Table 3

Taxation and Miscellaneous Receipts

£ million

	1978-79		1979-80 forecast	
	Budget forecast	Outturn	Before Budget changes	After Budget changes
Taxation				
Inland Revenue				
Income tax	19,310†	18,776	23,157	19,655
Surtax	15	15	10	10
Corporation tax*	4,170†	3,938	5,046	4,850
Petroleum revenue tax	170	183	620	730
Capital gains tax	375	353	390	390
Development land tax	10	13	22	20
Estate duty	50	46	25	25
Capital transfer tax	320	323	360	360
Stamp duties	440	433	550	550
Total Inland Revenue	*24,860†*	*24,080*	*30,180*	*26,590*
Customs and Excise				
Value added tax	4,775	4,900	6,175	8,325
Oil	2,500	2,460	2,535	2,900
Tobacco	2,450	2,445	2,520	2,550
Spirits, beer, wine, cider and perry	2,400	2,335	2,500	2,400
Betting and gaming	350	345	410	410
Car tax	325	380	520	510
Other excise duties	10	10	10	10
EEC own resources‡				
Customs duties, etc.	765	740	860	860
Agricultural levies	175	220	285	285
Total Customs and Excise	*13,750*	*13,835*	*15,815*	*18,250*
Vehicle excise duties	1,120	1,113	1,148	1,148
National insurance surcharge	1,475†	1,914	2,952	2,952
Total Taxation	**41,205**	**40,942**	**50,095**	**48,940**
Miscellaneous Receipts				
Broadcast receiving licences	317	337	383	383
Interest and dividends	264	267	310	310
Other§	960	1,542	1,380	1,380
Total	**42,746**	**43,088**	**52,168**	**51,013**
*Corporation tax receipts include gross payments of advance corporation tax	1,500	1,422	1,820	1,630

† Changes in the Finance Act, 1978 reduced the Budget forecast of income tax to £18,865 million, of corporation tax to £4,137 million (including advance corporation tax of £1,467 million) and of total Inland Revenue duties to £24,382 million; the forecast of the national insurance surcharge was increased to £1,940 million.

‡ Customs duties and agricultural levies are accountable to the European Community as 'own resources'.

§ Includes the 10 per cent of 'own resources' refunded by the European Community to meet the costs of collection.

Profits

The Chancellor spoke of the sharp fall in profitability in recent years. 'Without higher profits we shall not see the new investment and jobs which are so urgently needed. Achieving those profits is very largely the task of management and workpeople.' Against this background the Government proposed no change in 1979-80 in the general system or rates of corporation tax. [Subject to parliamentary approval advance corporation tax for 1979-80 will be payable at the rate of three-sevenths of the amount of the distribution; and for the financial year 1978 the lower and upper limits for the small companies rate of corporation tax will be increased from £50,000 and £85,000 to £60,000 and £100,000 respectively.]

In the Government's view, Sir Geoffrey went on, it was important that the tax system should take account of the effects of inflation on businesses, and it would be reviewing this matter along with the accountancy profession's latest proposals for current cost accounting. It was necessary now, however, to deal with the question of stock relief.

Table 4

Supply Services and Consolidated Fund Standing Services

£ million

	1978-79		1979-80 forecast	
	Budget forecast	Outturn	Before Budget changes	After Budget changes
Supply Services*				
I. Defence	6,886	7,419	8,463	8,463
II. Overseas services	1,062	1,106	1,291	1,291
III. Agriculture, fisheries and forestry	535	545	644	644
IV. Trade, industry, energy and employment	2,568	3,047	3,078	3,078
V. Government investment in nationalised industries	481	928	1,044	1,044
VI. Roads and transport	1,256	1,263	1,491	1,491
VII. Housing	2,618	2,674	3,020	3,020
VIII. Other environmental services	299	308	411	411
IX. Law, order and protective services	1,249	1,297	1,562	1,562
X. Education and libraries, science and arts	1,740	1,796	2,105	2,105
XI. Health and personal social services	6,163	6,807	7,681	7,681
XII. Social security	6,683	6,892	6,011	6,011
XIII. Other public services	1,071	1,130	1,311	1,311
XIV. Common services	1,157	1,166	1,489	1,489
XV. Northern Ireland	592	792	924	924
XVII. Rate support grant, financial transactions, etc.	7,968	8,593	11,633	11,633
Total	*42,328†*	*45,763*	*52,158*	*52,158*
Allowance for price changes (rounded)	2,400	—	—	—
Revised and supplementary provision (net)	1,450	—	2,225‡	500‡
Total Supply Services	**46,178**	**45,763**	**54,383**	**52,658**
Consolidated Fund Standing Services				
Payment to the National Loans Fund in respect of service of the national debt	3,160	3,222	3,850	3,850
Northern Ireland—share of taxes, etc.	786	765	883	883
Payments to the European Community, etc.	1,237	1,669	1,937	1,937
Contingencies Fund	—	32	—	—
Other services	17	18	43	43
Total Consolidated Fund Standing Services	5,200	5,706	6,713	6,713
Total	**51,378**	**51,469**	**61,096**	**59,371**

* As a consequence of the re-introduction of Class V in 1979–80, the 1978–79 Budget forecasts and estimated outturns for Classes IV and VI have been revised to the new classifications.

† At 1978–79 Estimate prices.

‡ The main elements in the net provision after Budget changes are additions in respect of agreed pay awards and revised provision for services affected by the changes to specific programmes and transfers announced in the Budget Statement.

The Finance Bill would include proposals to write off deferred tax liabilities arising from stock relief between 1973 and 1975; liabilities in respect of each subsequent year would be written off after they had been outstanding for six years.

It was proposed that the profit restriction for unincorporated businesses should be reduced from 15 to 10 per cent in calculations of the amount of stock relief [thereby increasing the amount of relief claimable by individuals and partnerships] and that all businesses should be given greater flexibility in the amount of relief they could claim. Both these changes would be of particular benefit to small businesses.

The control of dividends would end when the existing legislation expired on 31 July.

INCOME TAX

In the Chancellor's view, excessive rates of income tax bore a 'heavy responsibility for the lack-lustre performance of the British economy'. There was a need, therefore, to cut income tax at all levels. The decisions for 1979-80 were only a first step and the Budget marked a turning-point.

The Chancellor said that the old top rates of tax on earned income (83 per cent) and invest-

ment income (98 per cent) brought in very little revenue, destroyed incentive and were unjust. He proposed to cut the top rate to 60 per cent and make it applicable to incomes over £25,000. This, the Chancellor noted, fulfilled a commitment to reduce the top rate to the European average. At the other end of the higher rate scale, Sir Geoffrey intended to raise the £8,000 threshold for the 40 per cent rate to £10,000. Between £10,000 and £25,000 the new scale of rates would be 'less steeply progressive' than the old.

The burden of income tax was also particularly oppressive on those with the lowest taxable incomes. It was proposed that the amount[1] a single person could earn tax-free should be raised [from £985 to £1,165] and that the married allowance would also go up [from £1,535 to £1,815]. This represented increases in tax-free earnings of nearly £3·50 a week for a single person and £5·38 a week for a married man. The full single age allowance and the full married age allowance would be increased [from £1,300 to £1,540 and from £2,075 to £2,455 respectively]. The income limit for full age allowance would be raised from £4,000 to £5,000. [Another proposed increase would raise the additional personal allowance (APA), given to certain people who have single-handed responsibility for children, by £100 to £650. Following the withdrawal of child tax allowances in the Finance Act 1979 (see p 129) it is proposed to redefine the qualifying conditions for the APA. It is also proposed that the child dependency allowance received by widows and certain other social security benefits should be wholly exempt from income tax.]

The Chancellor felt that the justification for retaining the investment income surcharge was debatable but he proposed raising the threshold to £5,000 for all taxpayers, with a 15 per cent rate payable above that. War widows' pensions would now be completely exempt from tax.

For the great majority of taxpayers, the Chancellor observed, it was the basic rate of income tax that determined their tax liability. He proposed, therefore, that the basic rate should be cut from 33 per cent to 30 per cent and said that the 'long-term aim should surely be to reduce the basic rate of income tax to no more than 25 per cent'.

As a result of the increase in tax thresholds, 1·3 million people who would otherwise have paid tax in 1979–80 would not be required to do so. The number of people paying tax at the higher rates would be virtually halved to 650,000. The number liable to the investment income surcharge would be reduced from 850,000 to 300,000.

The Chancellor emphasised, particularly for those who would be involved in pay bargaining in the coming year, that these changes represented only the first step in the major reduction in the burden of direct taxation that the Government was determined to make.

[1]Increases in allowances are based on the levels current before the caretaker Finance Act 1979 (see p 129), which has not yet been implemented.

CONCLUSION

In conclusion Sir Geoffrey said he had stressed the urgent need for new policies to reverse the decline of the British economy. The Budget sought to reduce the role of government, which would spend less and borrow less. This would lay the foundations for controlling inflation. He described the Budget as an 'opportunity Budget', saying that the shift from taxes on income to taxes on spending would improve incentives and enlarge opportunities.

BUDGET STATISTICS

Tables 2, 3 and 4, taken from the *Financial Statement and Budget Report 1979-80* (HMSO, £1·25, ISBN 0 10 209880 8), show the major items in central Government's expected revenue and expenditure and its borrowing requirement for the year 1979-80.

DEBATE ON THE BUDGET

Opposition View

Mr Denis Healey, speaking for the Labour Opposition on 13 June (*Hansard*, cols 459-74), agreed with the Chancellor's emphasis on the domestic origin of Britain's economic problems. He believed that the likely level of earnings increases in 1979-80 would lead to inflationary pressures and some loss of jobs. This was bound to be aggravated by the increase in oil prices and the increase in petrol tax. Because of this he felt that the Chancellor's Financial Statement was 'far too optimistic' about the likely growth of world trade in the coming year and said that the main economic effect of the Budget would be a massive increase in both prices and unemployment. In his view the Budget speech had seen the results of five years' 'painful work' by the previous Government and the people in bringing down the rate of inflation thrown away. The rate would now increase as a result of the increase in indirect taxes, the cuts in public expenditure, and the price effects of higher interest rates. Finally, he said, none of the Budget arithmetic covered the cost of the increases in food prices which were certain to be generated if the Government were to carry out its election undertaking to devalue the green pound to parity.

Liberal Party View

For the Liberal Party, Mr Richard Wainwright welcomed the extent to which the Budget adjusted the balance between direct and indirect taxation, but hoped that in saying this was a 'once and for all' measure the Government did not mean that it believed enough had been done to last for this parliament. His party also felt that indexation should have been applied to the excise duties on drink, tobacco and petrol. It rejected the idea that this could be called an incentive Budget. It believed that, provided there was a safety net of a statutory incomes policy, then there could be scope for a modest increase in public expenditure.

Tokyo Economic Summit

The economic summit, held in Tokyo on 28 and 29 June, was mainly devoted to energy policy. The summit ended with the adoption by the seven participating heads of State and Government of restricted import targets for oil for 1979 and future years and an appeal to other industrial countries for similar action. The meeting deplored the decisions taken by the recent conference of the Organisation of Petroleum Exporting Countries (OPEC)[1] which, it was felt, would have serious economic and social effects, especially on the non-oil-producing developing countries. The meeting pointed out that OPEC and the industrial countries had a responsibility to help to resolve the problems of these countries.

The heads of State and Government of seven of the major industrial countries – Britain, Canada, France, the Federal Republic of Germany, Italy, Japan and the United States – met to discuss common economic problems, with special reference to energy policy. The President of the European Commission, Mr Roy Jenkins, was also present.

Topics they discussed were: inflation, higher oil prices and the oil shortage; reducing oil consumption; monitoring energy conservation and developing alternative sources of energy; increasing the use of coal; nuclear power and new technologies; the recent conference of OPEC; improving the long-term efficiency and flexibility of their economies; north-south relations; and developing countries. The main points of the declaration issued at the end of the summit are given below.

Inflation, Higher Oil Prices and the Oil Shortage

The declaration stated that the agreements reached at the Bonn summit (see pp 294-6, 1978) had helped to improve the world economy: there was higher growth in some countries, a reduction in payments imbalances and greater currency stability. However, the declaration warned that new challenges had arisen. Inflation, which had been subsiding in most countries, was now regaining momentum, while higher oil prices and the oil shortage had reduced the room for manoeuvre in economic policy in all seven countries. They would worsen inflation and curtail growth in both the industrial and the developing countries, and the non-oil developing countries would be among the most affected.

Reducing Oil Consumption

The participants were agreed on a common strategy to attack problems relating to oil, the most urgent tasks being a reduction in consumption and a hastening in the development of other sources of energy. The seven countries had already taken significant actions to reduce oil consumption and they would intensify these efforts.

The European Community, it was stated, had decided to restrict oil consumption in 1979 to 500 million tons (10 million barrels a day) and to maintain imports between 1980 and 1985 at an annual level no higher than that of 1978. The Community was monitoring this commitment and the four members present agreed to recommend to their partners that each member country's contribution to these annual levels be specified. The other three countries at the summit would each achieve the adjusted import levels for 1979 to which they were pledged at the International Energy Agency (IEA) and would maintain their imports in 1980 at a level no higher than that of 1979; they would monitor their performance.

All seven countries expressed their acceptance of the following upper limits on imports of oil in 1985:

Britain, France, the Federal Republic of Germany and Italy: the 1978 level. (Italy's commitment was accepted in the context of the overall commitment of the European Community.)

Canada (whose production of oil would decline dramatically between now and 1985): a reduction to 1 per cent in its average annual rate of growth of consumption, with the consequent reduction of imports by 50,000 barrels a day by 1985. Canada's target for imports would therefore be 600,000 barrels a day.

Japan: between 6·3 million and 6·9 million barrels a day. Japan would review this target periodically and make it more precise in the light of current developments and growth projections. Japan would also do its utmost to reduce oil imports through conservation, rationalisation of use and intensive development of alternative sources of energy in order to move towards lower figures.

United States: the 1977 level or the adjusted target for 1979 (8·5 million barrels a day).

Monitoring Energy Conservation and Developing Alternative Sources of Energy

The declaration pointed out that these goals for 1985 would serve as references with which to monitor both energy conservation and the development of alternatives to oil. The results achieved would be periodically reviewed by a group of high level representatives of the participating countries and the European Commission, acting within the framework of the Organisation for Economic Co-operation and Development (OECD). Slight adjustments would be allowed to take account of special needs generated by growth.

In fulfilling these commitments, the guiding principle would be to obtain fair supplies of oil for all countries, taking into account the differing patterns of supply, the efforts made to limit imports of oil, the economic situation of each country, the quantities of oil available and the potential of each country for energy conservation. Other industrial countries were urged to set similar objectives for themselves.

[1]At its meeting in Geneva from 26 to 28 June, OPEC agreed to raise the price of marker crude oil from $14·55 per barrel to $18 per barrel. Producers would also be allowed to add a premium to their basic price, subject to a maximum overall price of $23·50 per barrel.

The participants agreed to take steps to bring into the open the working of oil markets by setting up a register of international transactions. They would urge oil companies and oil-exporting countries to moderate transactions in the spot market (where oil had been traded at a substantial premium)[1] and would consider the feasibility of requiring that, at the time of unloading cargoes of crude oil, documents be presented indicating the buying price as certified by the producing country. They would also seek to obtain better information on profits of oil companies and on their use of funds.

The meeting was agreed on the importance of keeping domestic prices of oil at the world market level, or of raising them to this level as soon as possible. The participants would seek to minimise and finally eliminate administrative action, resulting from domestic underpricing, that might tend to raise world market prices and to avoid new subsidies which would have the same effect.

The seven countries made a commitment not to buy oil for governmental stockpiles when this would tend to raise prices. They would consult about the relevant decisions.

Increasing the Use of Coal

The countries pledged themselves to increase, as much as possible and without damage to the environment, use and production of coal and also trade in it. They would try to substitute coal for oil in the industrial and electrical sectors and to encourage improved transport of coal and investment in coal projects. They also pledged themselves not to interrupt trade in coal under long-term contracts, unless required to do so by a national emergency, and to maintain, without obstructing coal imports, levels of domestic production desirable for reasons of energy and regional and social policy.

The declaration drew attention to the need to expand alternative sources of energy, especially those which would help to prevent further pollution (particularly increased quantities of carbon dioxide and sulphur oxides in the atmosphere).

Nuclear Power and New Technologies

The view was expressed that, without the expansion of generating capacity for nuclear power in the coming decades, economic growth and higher employment would be hard to achieve. The participants would co-operate in ensuring that this expansion of nuclear capacity would take place in conditions which guaranteed their people's safety: the International Atomic Energy Agency, it was felt, could play a key role in this. The understanding reached at the Bonn summit regarding the reliable supply of nuclear fuel and minimisation of the risk of nuclear proliferation was reaffirmed.

New technologies in energy, the declaration continued, were the key to the world's long-term freedom from fuel crises. Measures would be taken to ensure that the large public and private resources required for the development and commercial application of those technologies would be made available. An International Energy Technology Group, linked to the OECD, IEA and other appropriate international organisations, would be created to review the actions being taken or planned domestically by each of the seven countries. It would report on the need and potential for international collaboration, including financing.

The OPEC Conference

The meeting deplored the decisions taken by the recent conference of OPEC. The relative moderation displayed by certain participants was recognised but it was felt that the unwarranted increases in oil prices nevertheless agreed were bound to have very serious economic and social consequences. These would include more worldwide inflation, reduced growth, greater unemployment, more balance-of-payments difficulties and a threat to stability in both developing and developed countries. The meeting declared its readiness to examine with oil-exporting countries ways of defining prospects for supply and demand on the world oil market.

Agreement was expressed that the policies for the seven economies decided at Bonn in 1978 should be continued, adjusted to reflect current circumstances. It was pointed out that shortages of energy and high prices of oil had caused a real transfer of incomes. Participating countries would try, by their domestic economic policies, to minimise the damage to their economies. However, they recognised that their options were limited and attempts to compensate for the damage by matching increases in incomes would simply add to inflation.

Long-term Economic Improvement

The participants agreed that they had to do more to improve the long-term efficiency and flexibility of their economies. Necessary measures might include: more stimulus for investment and research and development; steps to ease the movement of capital and labour from declining to new industries; regulatory policies which would avoid unnecessary impediments to investment and productivity; reduced growth in some current expenditures of the public sector; and a removal of impediments to the international flow of trade and capital.

The meeting felt that the agreements reached in the Tokyo Round of the General Agreement on Tariffs and Trade (GATT) (see pp 156-9) were an important achievement and participants expressed their commitment to the early and faithful implementation of these agreements and renewed their determination to fight protectionism. They wanted to strengthen GATT, both to monitor the agreements reached in the multilateral trade negotiations and as an instrument for future policy in maintaining the open world trading system, and would welcome the full participation of as many countries as possible in these agreements and in the system as a whole.

Participants would intensify their efforts to pursue the economic policies appropriate in each country to achieve durable external equilibrium, a

[1] At their meeting in Geneva member countries of OPEC agreed to take steps to limit transactions in the spot market in an effort to stop the price spiral.

stable foreign exchange market being essential for the sound development of world trade and the world economy. Two developments since the Bonn summit had furthered such stability: the programme of large-scale support for the dollar, adopted in November 1978 by the United States, acting in conjunction with the monetary authorities of other countries and the International Monetary Fund (IMF), and the successful emergence of the European Monetary System (see pp 415-18, 1978). Close co-operation would continue in policies on foreign exchange markets and in support of the effective discharge by the IMF of its responsibilities, particularly its surveillance role and its role in strengthening further the international monetary system.

Relations with Developing Countries

The declaration recognised that constructive north-south relations were essential to the health of the world economy. The participants in the summit had worked consistently to bring developing countries more fully into the open world trading system and to adjust their economies to changing international circumstances. As the problems were global they could be resolved only through shared responsibility and partnership. However, this partnership could not depend solely on the efforts of the industrial countries; the OPEC countries had an equally important role to play. The meeting felt that the latest decision to increase oil prices substantially would severely increase the problems of the non-oil-producing developing countries and also the difficulties for developed countries in helping them. The meeting recognised, in particular, the need for an increased flow of financial resources to the developing countries, including private and public, bilateral and multilateral resources. A good climate for investment in developing countries would help the flow of foreign investment.

Participants expressed their deep concern for those living in absolute poverty; their aid programmes would take particular account of the poorest countries. Members of the Council for Mutual Economic Assistance (also known as Comecon) were once more urged to play their part. More emphasis would be placed on co-operation with developing countries in overcoming hunger and malnutrition and participants would urge multilateral organisations to help these countries to develop effective strategies for food and to build up the storage capacity needed for strong national food reserves. Increased bilateral and multilateral aid for agricultural research would be particularly important and in these and other ways efforts would be increased to help these countries develop their human resources through technical co-operation adapted to local conditions.

The declaration concluded with an intention to place special emphasis on helping developing countries to exploit their energy potential. Participants strongly supported, and urged the expansion of, the programme of the World Bank for the exploitation of hydrocarbons. They would do more to help developing countries to increase the use of renewable energy and welcomed the co-ordination of these efforts by the World Bank.

UN Conference on Trade and Development

The deliberations of the fifth United Nations Conference on Trade and Development (UNCTAD), held in Manila from 7 May to 3 June, and Britain's participation in the Conference, were described in a House of Commons written answer on 11 June by Mr Cecil Parkinson, Minister of State at the Department of Trade.[1] There had been unanimous agreement, he said, that the world's economic problems could not be solved by protectionism.

The Conference had adopted by consensus resolutions on a number of matters: as well as protectionism, these included the integrated programme for commodities, resource transfers including aid volume, the United Nations liner code, the transfer of technology and economic co-operation between developing countries. Other resolutions had been adopted by majority vote, including those on civil aviation, a study of a proposed new complementary financial facility to stabilise commodity producers' export earnings, international monetary reform and bulk shipping. In addition, a number of questions on which no agreement had been reached were remitted for further consideration by the Trade and Development Board of UNCTAD or other UNCTAD committees – for example, an evaluation of the outcome of the Multilateral Trade Negotiations (see pp 156-9), and various proposals put forward by the developing countries on the generalised scheme of preferences, on measures to expand their trade in manufactures, on a new multilateral guarantee facility, on a new export credit guarantee facility, on debt and on international consultation about the whole spectrum of world economics issues.

In common with most other developed countries, said Mr Parkinson, Britain had voted against the resolutions adopted by majority vote, and, also in common with some other countries, had made statements of reservation on some of the resolutions adopted by consensus. These included an explanation, in relation to the resolution on resource transfers, that Britain could not enter into commitments about further levels of aid in anticipation of the outcome of its review of public expenditure programmes. At the same time, Britain, along with a large number of countries, had indicated its willingness to make a financial contribution to the 'Second Window' of the Common Fund (see pp 92-3).

Britain's objective at the conference, the Minister of State explained, had been to try to promote a serious discussion of ways of furthering the international effort to deal with the real problems which faced the developing countries, and to seek to persuade them that developed and developing countries alike shared a common interest in maintaining and strengthening – not in overturning – the existing international arrangements for co-operation on trade and financial issues. It was in

[1] *Hansard*, written answers, cols 52-4.

this spirit that Britain had associated itself with, and welcomed, the resolutions adopted by consensus. It was in the same spirit that, together with most other developed countries, it had opposed some of the developing countries' proposals, for example for cargo sharing in bulk shipping, and for work and negotiations in UNCTAD on financial and trade issues which properly belonged to the International Monetary Fund, the General Agreement on Tariffs and Trade (GATT) and other international bodies.

The conference had not been a dramatic one, said Mr Parkinson. Even where no agreement had been possible, it had been clear that both developing and developed countries wished to avoid a breakdown in the dialogue between them. He hoped that the discussions had helped to encourage a more practical and realistic approach to the points in dispute. In other areas – notably on international trade, which had been one of the central issues at the Conference – useful progress had been achieved, there being unanimous agreement that the world's economic problems could not be solved by concealed or open protectionism; and that further discussions should be set in hand on two matters of importance to the developing countries – in GATT on import restrictions affecting their exports, and in UNCTAD on the continuing adjustment of global patterns of industrial production to changes in patterns of trade.

Industrial Relations Legislation

The Government has published its proposals for changes in the law on picketing and the closed shop, and for legislation to provide financial aid for postal ballots for trade unions.

Three working papers for consultations on proposed industrial relations legislation were published by the Government on 9 July. Following on from informal discussions, they are intended as the basis for formal consultations with the Trades Union Congress (TUC), the Confederation of British Industry (CBI) and other interested organisations.

Commenting on the papers, Mr James Prior, Secretary of State for Employment, said: 'The changes ... are limited, but they are vitally important. They are directed to particular problems which have given widespread public concern and on which we believe there is general agreement that changes in the law are needed. We intend these working papers to provide the basis for full and detailed consultation over the next two to three months before final decisions are taken.'

The Closed Shop

The Government recognises that although closed shop agreements (that is, agreements which require all workers in a particular workplace or company to be members of a trade union) limit individual freedom, employers and unions have long had practical reasons for entering into such agreements. The aim of the changes proposed is to ensure that closed shops are established only with the wholehearted support of the workers covered and that there is a remedy for abuses of individual rights.

It is proposed to extend protection against dismissal for non-membership of a union in a closed shop, which is at present limited to employees who have an objection on religious grounds. The new categories of employees who would be entitled to compensation if dismissed for refusal to join a union would be existing employees at the operative date of the closed shop agreement and those with a deeply held personal objection to joining a union.

Because dismissal in closed shops may be the result of union pressures, the Government believes that there is a strong case for enabling the employer, if he chooses, to involve the union in any action brought against him. It would then be open to the tribunal in such cases to apportion any compensation payable between employer and union, as it thought appropriate.

A new union membership agreement (UMA) – that is, a closed shop – should, the paper suggests, only furnish an employer with a defence against unfair dismissal where it has been introduced following a secret ballot of those to whom it is to apply, in which an overwhelming majority have voted in favour of the UMA. A statutory code of practice, which could be taken into account in court proceedings, is proposed, covering detailed guidance on the ballot and giving practical advice on the introduction and application of closed shops.

The paper also proposes a new right for any worker, whether in a closed shop or not or whether in employment or not, to take action in the High Court for arbitrary exclusion or expulsion from a trade union. The test for this might be similar to that in existing legislation on unfair dismissal from employment; alternatively, specific detailed criteria might be laid down. The provision of this statutory right would not conflict with voluntary procedures for handling problems of this sort, and such procedures should continue to be available where the parties wish to make use of them.

Support from Public Funds for Union Ballots

There is wide public support, the working paper suggests, for more extensive use of secret ballots in unions, and growing recognition within the union movement itself that secret ballots on important matters are desirable. It is not practicable for every decision to be taken after a secret ballot of the membership, but the purpose of forthcoming legislation will be to remove major financial constraints on unions from holding important ballots, thus enabling unions to make increasing use of secret ballots on important issues.

The Government proposes legislation which would enable a trade union to seek reimbursement of the reasonable postal costs of conducting a secret ballot on specified matters. Initially the matters covered would be the election of full-time union officers and of executive or other governing

bodies, proposals to change union rules, and the calling or ending of strikes.

In addition, the Government welcomes views on whether it is practicable or necessary to reimburse, in whole or in part, the administrative costs of postal ballots, and to what extent it might be possible or desirable to provide public funds for secret ballots not conducted by post, particularly in view of doubts about the true secrecy of such ballots.

The paper envisages that the scheme could best be administered by the Certification Officer for Trade Unions and Employers' Associations, who would ensure that the secrecy of a ballot had been properly secured, and that the relevant expenditure was reasonably incurred.

Picketing

The working paper states: 'The Government's commitment to amend the law on picketing reflects the widespread public concern at recent developments in the use of picketing as a weapon in disputes. In the last few years there has been a greater tendency to use picketing to bring pressure to bear on companies *not* directly involved in disputes. The effect has been to put at risk the livelihood of working people who have no dispute with their employer, and to damage enterprises which have no dispute with their employees. In some cases the community as a whole has suffered considerable hardship.

'These developments in the use of picketing are the result partly of easier communication and transport, which has made it possible for pickets to travel much longer distances than in the past; and partly of a greater degree of organisation of picketing, which is sometimes the work of unofficial groups rather than official union leaders. The growth and greater formalisation of the closed shop since 1974 has reinforced the effectiveness of picketing as a form of industrial action. There are indications of an increasing use of intimidation on picket lines, whether directly through the threat of physical violence or indirectly through the threat of loss of union membership, and, as a consequence, of jobs. The disputes of last winter showed how far these developments had gone and the need for early action to limit them.'

The Government believes, the paper says, that there is and will continue to be an important role for voluntary guidance on picketing, such as that issued by the TUC and some trade unions earlier in the year (see p 30). Nevertheless, it is firmly of the view that it is necessary to supplement voluntary guidance with a new legislative definition of the position in law of those who take part in picketing.

Police powers already exist to limit the number of pickets at any one site, and to deal with obstruction, violence, threatening behaviour and breaches of the peace, and it is therefore not proposed that picketing outside redefined limits should be made a criminal offence. Instead, the Government proposes to make amendments to the Trade Union and Labour Relations Act 1974 (see pp 159–61, 1974) which would restrict the right of lawful picketing to those who are party to the trade dispute which occasions the picketing and to the picketing which they carry out at their own place of work.

In order to achieve a sufficiently effective limitation, however, the working paper suggests further possible changes in the 1974 Act and its 1976 amendments (see pp 27–9 and 495, 1975, and pp 76–7, 1976) to restrict the immunities granted to trade unionists in respect of picketing and other forms of industrial action. Any changes in this respect will need to be considered in the context of the Government's current review of the existing law on trade union immunities.

Finally the Government proposes to legislate to provide a power for the Secretary of State himself to draw up a code covering all aspects of picketing, which could be taken into account in court proceedings. This power, however, would be exercised by the Secretary of State only in the absence of comprehensive and effective voluntary guidance.

Steel Industry

The British Steel Corporation (BSC) announced a deficit of £309 million in its annual report and accounts for the financial year ended 31 March 1979,[1] £134 million less than for the previous year. In his opening review, the Chairman, Sir Charles Villiers, said that the BSC had made some progress by cutting costs and improving efficiency, but the Corporation faced 'a harsh environment' and the task of returning to viability would be difficult. The Government has set the BSC the target of operating at a profit in 1980-81.

Annual Report

Sir Charles said that without the transport strikes in January (see p 30), the loss would have been well below £300 million. The reduction in deficit had been achieved despite very weak selling prices in Britain and Europe and a fall in the volume of sales. None the less the result was unsatisfactory: despite 'intense management effort, sincere co-operation from workforce and unions, support by Government and a high degree of loyalty by [its] customers', the Corporation was still operating at a substantial and unacceptable loss. The reasons for this were clear: first, the 'heavy end' of the British economy had been stagnant – total steel demand in 1978-79 had been down even on the previous depressed financial year, at levels substantially lower than those earlier in the 1970s; secondly, over-capacity and over-production of steel in Europe had continued and, in a very competitive international market for steel, it had proved impossible to raise the price of most products to remunerative levels; thirdly, the transport disputes in January had hit BSC very hard – it was estimated that they had cost BSC over 450,000 tonnes of liquid steel in

[1] *British Steel Corporation. Annual Report and Accounts 1978-79.* HMSO, £1. ISBN 0 901894 55 9.

production and some £50 million in profit; fourthly, major new plant at Redcar (Cleveland) and Ravenscraig (Scotland) had still to be finally completed and commissioned and BSC continued to operate a substantial amount of older plant; and fifthly, BSC still had a long way to go in utilising some of its existing facilities effectively and to the full, and in cutting its costs, particularly in energy usage and manpower. Considerable progress had, however, been made during the year, both in the commissioning of new plant and the closure of old plant (see also p 298, 1978). The Corporation's total workforce had also been further reduced (see below), the workforce and unions had agreed in every case to international levels of operational manning in the new plants, and industrial disputes had fallen by a third in the last two years.

In his review of operations, the chief executive, Mr Bob Scholey, pointed out that in 1978-79 investment by the BSC in new plant and equipment totalled £318 million, compared with £476 million in 1977-78. This reduction was made largely in response to the continuing depressed market outlook and the Corporation's current trading losses. By deliberate action, therefore, expenditure did not reach the level of £500 million agreed with the Government early in 1978 and set out in the White Paper *British Steel Corporation: The Road to Viability* (see pp 137-8, 1978), but the Corporation had nevertheless adhered as far as possible to the investment priorities set out in the White Paper. Expenditure on research and development, including the provision of technical support to works in the research laboratories, totalled £26 million in 1978-79.

Performance Indicators

Annual statistics for the Corporation show that numbers employed fell from 206,190 (182,370 in 'iron and steel activities') in September 1977 to 190,300 (167,610 in 'iron and steel activities') in September 1978, and then fell further to 186,000 (154,900 in 'iron and steel activities') by the end of March 1979; that steel deliveries in 1978-79 were 12·5 million tonnes (including 2·9 million tonnes of exports) compared with 13·4 million tonnes (3·3 million for export) in 1977-78; that crude steel production in 1978-79 was 16·67 million tonnes compared with 16·69 million in 1977-78; and that the average number of blast furnaces in blast in 1978-79 was 25·5 compared with 29·5 in 1977-78.

New Terminal

A new £98 million ore and coal terminal at Hunterston, Scotland, was opened by Queen Elizabeth the Queen Mother on 5 June. The terminal, which is expected to be fully commissioned later in 1979, has the largest deep water jetty in Europe and was built primarily to supply the raw materials needed by the Ravenscraig works, the centre of bulk steelmaking in Scotland.

At the opening ceremony, the chairman of BSC said that the large vessels which would arrive at the terminal from South America, West Africa, Scandinavia, Canada and Australia with cargoes of very considerable size would lead to reduced freight costs, cheaper ore, cheaper iron and therefore cheaper steel.

Hunterston is the last of four major terminals scheduled to be built since the BSC was formed in 1967; the others are at Port Talbot (South Wales), Immingham (Humberside) and Redcar (Cleveland).

Financial Target

In a written answer to a question in the House of Commons on 3 July the Secretary of State for Industry, Sir Keith Joseph, said that he had set a financial target for BSC in 1980-81: 'I have set the Corporation the target of operating at a profit in the 1980-81 financial year after providing for depreciation and interest. To reinforce this target, the cash limit for 1980-81 will be set at a level intended, with internally generated funds, to cover fixed investment and other essential capital requirements. The Government does not intend to finance operating losses.'

Shorter Notes

ANNUAL REPORT OF THE DIRECTOR GENERAL OF FAIR TRADING

The activities of the Office of Fair Trading (OFT) in 1978 are outlined in its annual report, published in June.[1] In his opening remarks to the report, Mr Gordon Borrie, the Director General, described some of the main activities. These included: the examination of proposed mergers; the enforcement of the Resale Prices Act 1976; the licensing of the consumer credit industry; the suggested prohibition of misleading claims for bargain offers; a review of the system of advertising control; and the introduction and monitoring of additional codes of practice. The report also describes activities over the year with regard to restrictive trading agreements.

Legislation on restrictive practices was extended to services in 1976 (see p 188, 1976). During 1978 a further 115 agreements relating to services were placed on the public register, bringing the total to 321 by the end of the year. The largest number of service agreements, 69, was in the field of transport and travel. Work also continued on the evaluation of agreements registered in 1976 and 1977. In many cases parties to agreements, after discussions with the OFT, abandoned or modified significant restrictions rather than defend them before the Restrictive Practices Court, reference to which, the report points out, can be a lengthy proceeding. In December 1978, however, the Director General announced the first reference of a service agreement to the Court.

In 1978 the OFT considered 229 merger proposals under the Fair Trading Act 1973, reflecting a continuing upward trend in merger activity. However, in the same period only three mergers were referred to the Monopolies and Mergers Commission for deeper examination.

[1] *Annual Report of the Director General of Fair Trading.* HMSO, £2. ISBN 0 10 207980 3.

The Office received, in 1978, 40 allegations of breaches of the Resale Prices Act 1976. This Act was a consolidation measure, based on the Resale Prices Act 1964. The earlier Act had specified that, in order to gain exemption from the general ban on resale price maintenance, a supplier had to show that its abolition in his case would be on balance detrimental to the public as consumers or users. One area of investigation concerned allegations that certain manufacturers were withholding supplies from retailers because the manufacturers felt that the goods were being offered to the public at too low a price. The Director General pointed out that in such cases the OFT occupied a unique position of independence, in that it was able to act against retailers who were unfair to the public but was also able and willing to protect retailers against unfair treatment by suppliers.

The Consumer Credit Act 1974 provided for the issue of licences by the Director General of Fair Trading to all businesses that supplied or helped to supply credit or hire facilities to consumers.[1] By 1 July 1978 credit brokers either had to have a licence or to have submitted a valid application. During 1978 nearly 33,500 applications were received, bringing the totals in three years to over 84,000 applications for licences and nearly 63,000 licences issued. The Director General pointed out that, when he has doubts on the desirability of issuing a licence, he may issue a 'minded to refuse' notice, which gives the applicant reasons why the Director General is not convinced as to his fitness for a licence. Also, when issuing a licence, he may write to the applicant to draw attention to various undesirable practices, the continuation of which might lead to the termination or suspension of the licence. This powerful tool to stop undesirable credit methods had been used on about 50 occasions.

The Director General had sent the Secretary of State for Prices and Consumer Protection (whose functions have been assumed by the Minister for Consumer Affairs) two sets of recommendations concerning bargain offers. The first suggested the prohibition of claims which the shopper could not readily check, such as the mention of a percentage discount. The second suggested the prohibition of claims where the retailer indicated that the selling price was less than a recommended, suggested or maximum retail price that may rarely have been charged and therefore bore little relation to the true value of the goods. The Secretary of State in due course announced his broad acceptance of the proposals. [The Price Marking (Bargain Offers) Order 1979 and the Price Marking (Bargain Offers) (Amendment) Order 1979 came into effect in July.]

Another initiative, largely the result of a study including independent research devised jointly with the Advertising Association and the Consumers' Association, was the review of the British self-regulatory system of advertising control.[2] In general, the review reported favourably on the system run by the Advertising Standards Authority (ASA) but suggested detailed improvements and a statutory power to enable the Director General to take court action to stop any misleading advertisement where action by the ASA could not be sufficiently quick and effective.

Codes of practice are voluntary agreements on trading practices, usually concluded between a government department, such as the OFT, and a trade association or similar body. Two new codes, on the furniture industry and on mail order catalogue trading, were agreed in 1978, bringing the total at the end of the year to 14. [Four more codes have been launched in 1979.]

NATIONAL PORTS COUNCIL

Traffic through the ports of Great Britain rose by 4 per cent in 1978 to an estimated 350·9 million tonnes, according to the annual report and accounts of the National Ports Council.[1] Fuel traffic rose by 6 per cent to 227·1 million tonnes and non-fuel traffic by 2 per cent to 123·8 million tonnes. The impact of growing North Sea oil production was reflected in a 24 per cent increase in fuel exports to 53·4 million tonnes and a 5 per cent fall in imports to 79·1 million tonnes, while coastal traffic rose by 8 per cent to 94·5 million tonnes. Container and roll-on traffic rose by 8 per cent to 38·5 million tonnes in 1978 and continued to increase its share of port traffic. Non-fuel traffic through east coast ports rose by 8 per cent, as against a 1 per cent decline in traffic through west coast ports. The leading ports in 1978 in terms of total tonnage were London (which handled 41·7 million tonnes), Milford Haven (40 million tonnes), Tees and Hartlepool (30·7 million tonnes) and Forth (28·5 million tonnes).

The report says that the aggregate net surplus in 1978 of 28 large port undertakings was expected to be some £34 million, representing a return on capital of 9 per cent, compared with just over 10 per cent in both 1977 and 1976, and that the lower return was mainly as a result of recession and inflation. Capital expenditure by ports in Great Britain, provisionally estimated at £85 million in 1978, was also less than in the previous year. Schemes submitted to the Council for its consideration included a project to reclaim some 320 acres (130 hectares) of tidal mud flats at Bathside Bay at Harwich (Essex) for port facilities and related commercial and industrial development, and the Dover Harbour Board's £8·8 million scheme for building two more roll-on berths and associated facilities at its Eastern Docks. The Council's programme, initiated in 1972, for the reconstitution of major port trusts to give them smaller non-representative boards containing a proportion of executive members was completed following the reconstitution of the Tees and Hartlepool Port Authority in 1978.

[1]The Government announced in July that the duration of licences is to be extended from three to ten years.

[2]*Review of the UK Self-regulatory System of Advertising Control.* A Report by the Director General of Fair Trading, November 1978.

[1]*National Ports Council. Annual Report and Accounts 1978.* Available from the NPC, Commonwealth House, 1-19 New Oxford Street, London WC1A 1DZ, 75p. ISBN 0 86073 029 8. Statistics of port traffic given in this article are taken from the report and in some cases are provisional. Final figures will be given in the next edition of the Council's *Annual Digest of Port Statistics.*

ARIEL VI SATELLITE

Britain's sixth scientific satellite in the UK/Ariel series, UK-6 or Ariel VI, was successfully launched on 2 June from Wallops Island (Virginia) on the east coast of the United States, the launch vehicle being a United States four-stage Scout rocket. The satellite has been designed for investigations in high energy astrophysics (the study of astronomical phenomena involving temperatures of millions of degrees and highly energetic sources such as quasars, black holes, neutron stars, radio galaxies and supernovae) which the Science Research Council (SRC) says is 'one of the most exciting fields at present being studied in the physical sciences and one in which UK astronomers and physicists have pioneered many of the techniques of measurement and analysis used'. Ariel VI carries a cosmic ray detector for Bristol University; two X-ray astronomy experiments, one for Leicester University and the other provided jointly by Birmingham University and the Mullard Space Science Laboratory of University College, London; and two technological experiments for the Royal Aircraft Establishment, Farnborough, to investigate the performance in orbit of new types of solar cell and of metal oxide semiconductor devices in a space environment. The Ariel VI project, costing some £9 million (excluding the costs of the experiments), is funded by the SRC and managed from its Appleton Laboratory at Slough (Berkshire). The main contract for the satellite was placed with Marconi Space and Defence Systems Ltd – the manufacturer of Ariel V, which the SRC says is 'still providing excellent data more than four years after its launch' in 1974 (see pp 438–9, 1974, and pp 215–16, 1975) – with the design and manufacture of the spacecraft structure subcontracted to the British Aerospace Dynamics Group.

OPTICAL TELESCOPES

British scientists will have access to better optical astronomy facilities in the northern hemisphere as a result of international agreements signed with Spain on 26 May under which Spain is providing the opportunity of installing telescopes at a new observatory to be built on the island of La Palma in the Canary Islands. The scientific institutions outside Spain immediately involved are Britain's Science Research Council, the Royal Academy of Sciences of Sweden and the Research Administration of Denmark. The site of the new observatory, to be called the Roque de los Muchachos Observatory, has been shown to be highly suitable for optical observations. Under the terms of the agreement, Spain will provide the site and associated facilities and in return will be entitled to use at least 20 per cent of the observing time on telescopes erected there, while there will be arrangements for collaboration between the scientists of the countries concerned and for the training of Spanish scientists and technicians.

Among the telescopes to be installed on the new site are two British telescopes: the Isaac Newton telescope, of 2·5 metres in diameter, and a telescope of 1 metre diameter being built by Grubb Parsons and Co Ltd in Newcastle upon Tyne. The Isaac Newton telescope has already been moved from the Royal Greenwich Observatory (RGO) at Herstmonceux (East Sussex) to the Grubb Parsons works where modifications will be made including the incorporation of a new primary mirror. Towards the end of 1980, when the new building will have been completed, the telescope will be shipped to La Palma and should be ready for British astronomers to use early in 1982. It is expected that the combination of modified design features and the steady atmosphere above the site will lead to optical images of outstanding quality. The observatory will also be of major importance to research groups in British universities in the fields of radio and X-ray astronomy.

The RGO will be responsible for the operation of the two telescopes, and close collaboration is already being achieved between the RGO, the Canary Islands Astrophysical Institute in Tenerife and local authorities in La Palma on the development of the site and the installation of the telescopes. In addition, the RGO is collaborating with the University of Copenhagen on the establishment and operation of an automated 'meridian' telescope at the new observatory.

SOCIAL AND CULTURAL AFFAIRS

Social Security

Increased rates of retirement pension and other social security benefits take effect from November 1979, a year after the last increase. Long-term benefits, such as retirement pension and widows' benefits, are being increased by 19·5 per cent and short-term benefits, such as sickness benefit, by 17·5 per cent. The higher rates take into account a forecast rise in prices of 17·5 per cent between November 1978 and November 1979.

Details of the new weekly rates were announced by the Secretary of State for Social Services, Mr Patrick Jenkin, in the House of Commons on 13 June (*Hansard*, cols 437-58). The rates are subject to parliamentary approval.

In his statement to the House, Mr Jenkin announced the Government's intention of examining a number of aspects of the social security system with the aim of generally simplifying its administration, of introducing increased efforts to cut down on fraudulent claims and of changing the basis on which the annual increase for longer-term benefits is made.

In accordance with the Social Security Benefits Act 1975 long-term benefits have been increased annually in line with percentage movements in earnings or retail prices, whichever was the greater; short-term benefits have been linked with movements in retail prices. The Government will now introduce legislation to link the uprating of all benefits with percentage increases in retail prices, thus protecting their value against price increases.

Details of the new rates are set out below. An account of the social security system is contained in COI reference pamphlet *Social Security in Britain*, R5455/77.

Contributory Benefits

The payment of the following weekly benefits depends upon contributions paid under the national insurance scheme. The allowances quoted for children exclude the non-contributory child benefit (see below) which should be added to give a complete picture of support for children.

	November 1978 £	1979 £
Retirement pension[1]:		
Single person	19·50	23·30
Wife or other adult dependant	11·70	14·00
Widow's allowance (first 26 weeks of widowhood)	27·30	32·60
Each child	5·35	7·10
Widowed mother's allowance	19·50	23·30
Each child	5·35	7·10
Widow's pension	19·50	23·30
Each child	5·35	7·10
Sickness benefit:		
Single person	15·75	18·50
Wife or other adult dependant	9·75	11·45
Each child	0·85	1·70
Invalidity pension:		
Single person	19·50	23·30
Wife or other adult dependant	11·70	14·00
Each child	5·35	7·10
Invalidity allowance payable with invalidity pension when incapacity began before age:		
35	4·15	4·90
45	2·60	3·10
60 for men or 55 for women	1·30	1·55
Unemployment benefit:		
Single person	15·75	18·50
Wife or other adult dependant	9·75	11·45
Each child	0·85	1·70
Maternity allowance	15·75	18·50

Non-Contributory Benefits

The main non-contributory benefit is the tax-free child benefit payable to the mother. Child benefit was increased in April 1979 and, with the exception of that paid for the first child in a single-parent family, is not being raised in November. Other benefits assist disabled people, and include the mobility allowance designed to help very severely disabled people with transport costs, the attendance allowance for severely disabled people needing frequent or continual supervision, the

[1]The 'earnings limit' – the amount a pensioner can earn before his or her pension is reduced – is being increased from £45 to £50 a week.

invalidity pension for those not qualifying for a contributory pension, and the invalid care allowance for people who give up work to care for a severely disabled relative receiving an attendance allowance.

	November 1978 £	November 1979 £
Child benefit for two-parent families:		
Each child	4·00*	4·00
Child benefit for single-parent families:		
First child	6·00*	6·50
Each other child	4·00*	4·00
Guardian's allowance	5·35	7·10
Attendance allowance:		
Higher rate	15·60	18·60
Lower rate	10·40	12·40
Invalidity pension:		
Single person	11·70	14·00
Wife or other adult dependant	7·05	8·40
Each child	5·35	7·10
Invalid care allowance:		
Single person	11·70	14·00
Wife or other adult dependant	7·05	8·40
Each child	5·35	7·10
Mobility allowance	10·00	12·00
Retirement pension for people over 80:		
Man, single woman, or widow	11·70	14·00
Married woman	7·05	8·40

Industrial Injuries Benefits

Industrial injuries benefits are payable to employed people who suffer injuries caused by an accident at work or from a prescribed industrial disease contracted there. Injury benefit is payable for up to 26 weeks and may be followed by disablement benefit.

	November 1978 £	November 1979 £
Injury benefit:		
Single person	18·50	21·25
Adult dependant	9·75	11·45
Each child	0·85	1·70
Disablement benefit (100 per cent assessment)	31·90	38·00
Unemployability supplement	19·50	23·30
Adult dependant	11·70	14·00
Each child	5·35	7·10
Special hardship allowance (maximum)	12·76	15·20
Constant attendance allowance (normal maximum)	12·70	15·20
Exceptionally severe disablement allowance	12·70	15·20
Industrial death benefit:		
Widow's pension (first 26 weeks of widowhood)	27·30	32·60
Widow's pension (higher rate)	20·05	23·85
Widow's pension (lower rate)	5·85	6·99

*Figures relate to April 1979.

Supplementary Benefits

Supplementary benefits are payable to people who are not in full-time work and whose financial resources fall below a certain level. The amounts shown below are the weekly levels laid down for the requirements of married couples, single householders and others. Benefit awarded is the difference between resources and these requirements. The long-term rates apply to retirement pensioners and to those people below pensionable age who have received supplementary benefit continuously for two years, provided that the award has not been subject to the condition of registering for employment. There is a 25p addition for people aged over 80.

	November 1978 £	November 1979 £
Ordinary rate		
Husband and wife	25·55	29·70
Person living alone	15·55	18·30
Any other person aged:		
18 and over	12·45	14·65
16-17 years	9·55	11·25
13-15 years	7·95	9·35
11-12 years	6·55	7·70
5-10 years	5·30	6·25
Under 5 years	4·40	5·20
Long-term Rate		
Husband and wife	31·55	37·65
Person living alone	19·90	23·70
Any other person aged:		
18 and over	15·95	18·95

The long-term rates for people under 18 are the same as the short-term rates.

Rates for Blind People

Ordinary Rate		
Husband and wife:		
If one is blind	26·50	30·95
If both are blind	27·30	31·75
Any other blind person aged:		
18 and over	16·80	19·55
16-17 years	10·45	12·15

No specific rates for blind people under 16 years of age.

Long-term Rate		
Husband and wife:		
If one is blind	32·80	38·90
If both are blind	33·60	39·70
Any other person aged:		
18 and over	21·15	24·95

The amount of benefit arrived at by deducting resources from requirements may be increased where there are exceptional expenses – for example, for extra heating or a special diet. These discretionary additions are:

	November 1978 £	November 1979 £
Heating	0·85	0·95
	1·70	1·90
	2·55	2·85

	November 1978	November 1979
	£	£
Diet	0·95	1·05
	2·25	2·50

There is also a rent allowance for non-householders. The present weekly allowance of £1·45 will be increased to £1·70 in November 1979.

Family Income Supplement

Family income supplement (FIS) is a benefit for families with small incomes where the head of the household is in full-time work and where there is at least one dependent child. It is payable when the gross weekly income of a family falls below a prescribed amount. The amount varies according to the number of children in the family, but is the same for single parents as for two-parent families. 'Full-time work' means, for the purpose of this benefit, work of at least 30 hours a week for two-parent families or 24 hours a week for one-parent families. The amounts shown below were announced in the House of Commons on 21 June.

Number of children in the family	Amount below which FIS is payable		Maximum payment of FIS	
	November		November	
	1978	1979	1978	1979
	£	£	£	£
1	46·00	54·00	10·50	12·50
2	50·00	58·00	11·50	13·50
3	54·00	63·00	12·50	14·50
4	58·00	67·00	13·50	15·50

Main War Pension Rates

War pensions are payable to people disabled as a result of service in the armed forces, to people disabled from injuries received in the Merchant Navy or Civil Defence during wartime, or to civilians injured by enemy action.

	November 1978	November 1979
	£	£
Disablement Benefits		
Disablement pension for private at 100 per cent rate	31·90	38·00
Unemployability allowances[1]:		
Personal allowance	20·75	24·70
Wife or other adult dependant	11·70	14·00
Comforts allowance:		
Higher rate	5·40	6·60
Lower rate	2·70	3·30
Allowance for lower standard of occupation (maximum)	12·76	15.20
Constant attendance allowance:		
Normal maximum	12·70	15·20
Special maximum	25·40	30·40
Age allowance with assessments of:		
40 and 50 per cent	2·20	2·65
Over 50 and not exceeding 70 per cent	3·40	4·10
Over 70 and not exceeding 90 per cent	4·80	5·90
Over 90 per cent	6·80	8·20
Exceptionally severe disablement allowance	12·70	15·20
Severe disablement occupational allowance	6·35	7·60
Clothing allowance (per year):		
Higher rate	43·00	51·00
Lower rate	27·00	32·00
Death Benefits		
Widow's pension (private's widow)	25·30	30·20
Childless widow under 40	5·85	6·99
Rent allowance	9·60	11·50
Age allowance for elderly widows		
Between age 65 and 70	2·40	2·95
Over age 70	4·80	5·90
Adult orphans	19·50	23·30

[1]Invalidity allowance (see p 206) is also payable.

DOCUMENTATION

Government and Administration

Review Body on Top Salaries. Report No 12. Ministers of the Crown and Members of Parliament and the Peers' expenses allowance. Part 1 (see p 175). Cmnd 7598. HMSO, £2·50. ISBN 0 10 175980 0

Question Time in the British House of Commons. COI, No 5/FSB/79.

External Affairs and Defence

First Report from the Select Committee on Overseas Development, Session 1978-79. The Pattern of United Kingdom Aid to India. HMSO, £4·50. ISBN 0 10 270080 X.

Crown Agents for Oversea Governments and Administrations: Chairman's Review and Accounts 1978 (see p 189). Crown Agents for Oversea Governments and Administrations, 4 Millbank, London, SW1P 3JD.

Agreement in the form of an Exchange of Letters between the European Economic Community and Finland. Cmnd 7559. HMSO, 60p. ISBN 0 10 175590 2.

Additional Protocol to the Agreement establishing an Association between the European Economic Community and Malta with Final Act. Cmnd 7555. HMSO, 30p. ISBN 0 10 175550 3.

Agreement between the European Economic Community and the Member States of that Community and the International Development Association. Cmnd 7572. HMSO, 25p. ISBN 0 10 175720 4.

Exchange of Notes concerning a loan by the Government of the United Kingdom . . . to the Government of Portugal. Cmnd 7546. HMSO, 40p. ISBN 0 10 175460 4.

Treaty establishing the European Coal and Steel Community. This publication supersedes Treaty Series No 2 (1973), Cmnd 5189. Cmnd 7461. HMSO, £1·75. ISBN 0 10 174610 5.

Economic and Scientific Affairs

Financial Statement and Budget Report 1979-80 (see p 191). HMSO, £1·25. ISBN 0 10 209880 8.

Local Government Financial Statistics. England and Wales 1977-78. HMSO, £2. ISBN 0 11 751238 9.

Committee to Review the Functioning of Financial Institutions (Chairman: Sir Harold Wilson).
Second Stage Evidence:
Volume 4. The Stock Exchange, Bank of England. HMSO, £3·25. ISBN 0 11 630710 2.
Volume 5. Department of Trade, Treasury. HMSO, £1·75. ISBN 0 11 630711 0.

Particulars of Dealers in Securities and of Unit Trusts – 1979. An annual publication which gives the names and business addresses of firms which, on 31 January 1979, were licensed under the Prevention of Fraud (Investments) Act 1958 to deal in securities. It also gives this information for members of recognised associations of dealers in securities and for exempted dealers and lists all authorised unit trust schemes. HMSO, £1·25. ISBN 0 11 512209 5.

Insurance Business Annual Report 1978. HMSO, £2. ISBN 0 11 512489 6.

The Tokyo Round of Multilateral Trade Negotiations. Report by the Director-General of GATT (see pp 156-9). Available from HMSO, £5·95. ISBN 0 11 982862 6.

Trends in Exports to Different Destinations 1978 and 1979. This occasional paper by the British Overseas Trade Board (BOTB) shows that over the last two years Britain's most rapidly growing export markets for manufactured goods were the United States and the developing countries. However, the report points out that most commercial forecasts suggest that over the next two years export markets are likely to grow most rapidly in Western Europe, rather more slowly in the developing countries (including the oil-producing countries) and more slowly still in the United States. Available free from BOTB, 1 Victoria Street, London SW1H 0ET.

Review Body on Top Salaries. Report No 11: Third Report on Top Salaries 1979. The third major review of the salaries of the four groups within the terms of reference of the Review Body, under the chairmanship of Lord Boyle. (The groups are the chairmen and members of nationalised industry boards, senior public servants, the judiciary and senior officers of the armed forces.) The average increase recommended in the report is

11·7 per cent, which represents an increase of £4 million in the annual salary bill for these groups. Cmnd 7576. HMSO, 95p. ISBN 0 10 175760 3.

Price Commission Report for the Period 1 February to 30 April 1979. Reviews price increases during the period of the report, assesses the value of the then Commission's regional organisation and the exercise of its discretionary powers. HMSO, £1·50. ISBN 0 10 212380 2.

Annual Report of the Director General of Fair Trading (see p 203). HMSO, £2. ISBN 0 10 207980 3.

Eighth Report on Competition Policy. This report (published, in conjunction with the twelfth general report on the activities of the European Communities, by the Commission) is in three parts. The first covers the application of the rules of competition to companies and also considers the main developments in national competition policy in member countries. The second part deals with state aids, and argues that they have a part to play in restoring competitiveness to industries in distress but warns that they should be used in conjunction with restructuring measures and not merely to prop up declining industries. Part three contains statistics on mergers, share purchases and joint ventures and also on industrial concentration, distributive structures and pricing. Available from HMSO, £5·70. ISBN 92 825 0862 5.

Highlands and Islands Development Board. Thirteenth Annual Report 1978. Available from the Board at Bridge House, 27 Bank Street, Inverness, £1·75. ISBN 0 902347 63 2.

British Steel Corporation. Annual Report and Accounts 1978-79 (see p 202). Available through HMSO, £1. ISBN 0 901894 55 9.

The Financing of the British Film Industry. Second Report of the Interim Action Committee on the Film Industry. This report of the Committee, under the chairmanship of Sir Harold Wilson, discusses the financial background of the industry, state support for film production and the effect of taxation on the industry. Cmnd 7597. HMSO, 40p. ISBN 0 10 175970 3.

The Royal International Agricultural Show and the National Agricultural Centre. COI, SN6040.

Agriculture in Scotland. Report for 1978. Department of Agriculture and Fisheries for Scotland. Cmnd 7532. HMSO, £1·50. ISBN 0 10 175320 9.

Intervention Board for Agricultural Produce. Report for . . . 1978. An account of the operations of the Board which administers in Britain the European Community's system of agricultural support under the Common Agricultural Policy. Cmnd 7600. HMSO, £2·25. ISBN 0 10 176000 0.

North of Scotland Hydro-Electric Board. Report and Accounts 1978-79. Available from the Board, 16 Rothesay Terrace, Edinburgh EH3 7SE. £1.

South of Scotland Electricity Board. Report and Accounts 1978-79. Available free from the Board, Cathcart House, Inverlair Avenue, Glasgow G44 4BE.

Scottish Transport Group. Annual Report and Accounts 1978. Available free from the Group, Carron House, 114-16 George Street, Edinburgh EH2 4LX.

National Dock Labour Board. Annual Report and Accounts 1978. Available from the Board, 22-26 Albert Embankment, London SE1 7TE. 50p.

National Ports Council. Annual Report and Accounts 1978 (see p 204). Available from the Council, Commonwealth House, 1-19 New Oxford Street, London WC1A 1DZ. 75p. ISBN 0 86073 029 8.

The Pleasure Craft (Arrival and Report) Regulations 1979. The regulations will further strengthen Britain's defences against the introduction of rabies into the country. All foreign pleasure craft will be boarded and the person responsible will have to declare whether there are animals on board. If there are, the rabies regulations will be explained to him or her. Vessels based in Britain will be boarded on return before clearance is given for disembarkation. SI 1979, No 564. HMSO, 20p. ISBN 0 11 093564 0.

United Kingdom Mineral Statistics 1978. Institute of Geological Sciences. HMSO, £12. ISBN 0 11 884089 4.

Social and Cultural Affairs

Report on a review of the classification of controlled drugs and of penalties under schedules 2 & 4 of the Misuse of Drugs Act 1971. A report by the Advisory Council on the Misuse of Drugs recommends the reclassification of certain drugs and concludes that the use of cannabis and cannabis resin should not be legalised. Available from the Home Office Library, 50 Queen Anne's Gate, London, SW1H 9AT, £1·75. ISBN 0 903727 71 4.

Response of the Supplementary Benefits Commission to 'Social Assistance: A Review of the Supplementary Benefits Scheme in Great Britain'. Supplementary Benefits Commission. SBA Paper No 9. HMSO, £1. ISBN 0 11 760454 2.

Health Service Commissioner. Annual Report for 1978-79. The annual report of the Health Service Ombudsman records an increase both in the

number of complaints received (40 per cent of complaints were upheld) and in the complexity of the complaints investigated. HMSO, 80p. ISBN 0 10 210680 0.

Britain's Open University. COI, No 2/FSB/79.

Education in Scotland in 1978. A report of the Secretary of State for Scotland. Cmnd 7549. HMSO, 50p. ISBN 0 10 175490 6.

Statistics of Education 1976. Volume 3: Further Education, England and Wales. HMSO, £4·50. ISBN 0 11 270436 0.

Britain and the International Year of the Child. COI, SN6051.

Equal Opportunities Commission. Third Annual Report 1978. The Commission records its successes in publishing and reducing discrimination in credit facilities offered to married women, in achieving some modification of the discrimination against married women in the tax system, and its effective survey on joint mortgages to couples where the wife is the higher earner. In addition to help given to over 4,000 inquirers, the Commission formally considered and paid the legal representation costs of 86 applicants in tribunals and county courts. HMSO, £2. ISBN 0 905829 21 2.

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